THE BUSINESS WEEK

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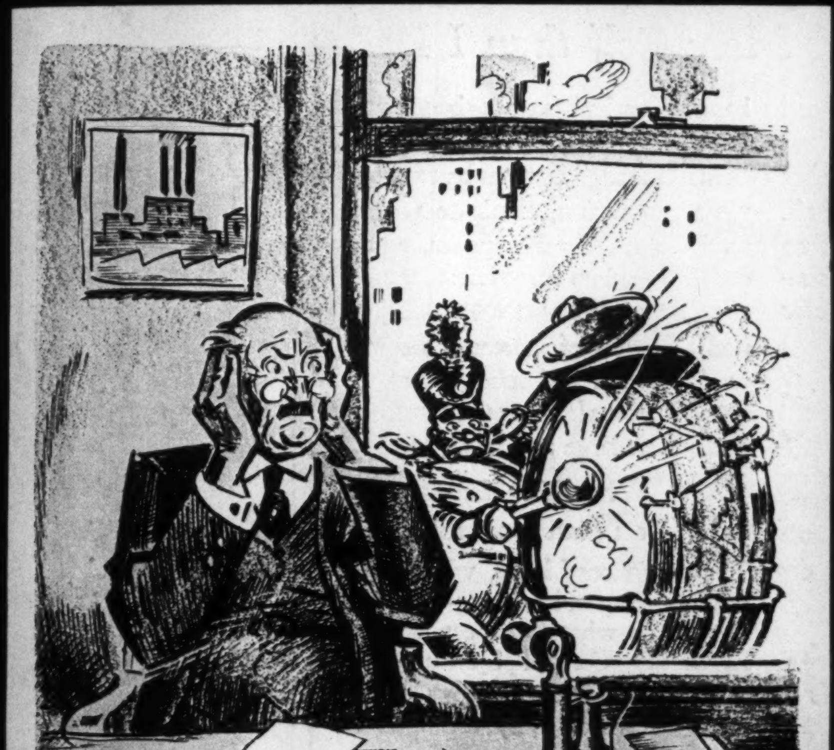
A Journal of Business News and Interpretation



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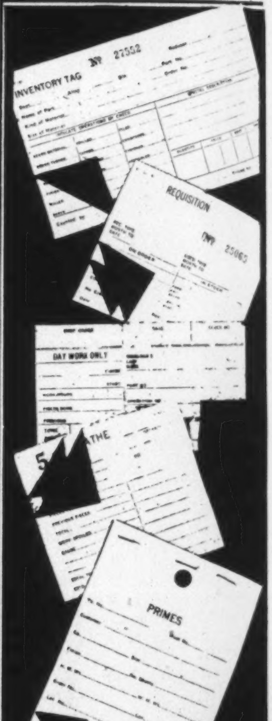

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THE BUSINESS WEEK

A JOURNAL OF BUSINESS NEWS AND INTERPRETATION
WITH WHICH IS COMBINED THE MAGAZINE OF BUSINESS
NEWS FOR THE WEEK ENDING JANUARY 4, 1930

WHAT'S IN THIS ISSUE—AND WHY

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• "TRADE with me or I won't trade with you" has swayed business ever since business began. After all these centuries, the Federal Trade Commission launches an attack upon the practice—at least when it includes duress. One complaint has been filed; many more may follow. The Interstate Commerce Commission is also making a national investigation. This in view of its sweeping significance is the outstanding business news item of the week.

• PROGRESS toward greater freedom in international trade is crablike. Eight countries agree unconditionally to abolish a considerable number of annoying restrictions. But Poland and Czechoslovakia may yet upset it all. Meantime, France threatens new and virtually prohibitive tariffs upon all (which really mean American) automobiles. Exporters will be interested in these important developments.

• ARGENTINA abandoned the gold basis. A wild-eyed young radical took a shot at President Irigoyen. There is a possible connection, important to business.

• ONE arm of government is prodding business on to eliminate waste in distribution. Another arm of government says—"But don't go too far." McKesson and Robbins face a Clayton Act complaint which alleges in effect that the great new drug merger is much too efficient.

• BUILDING, careful students believe, is the key to the business situation. Perhaps it is too early to be positive, but there seem to be a few signs of a building revival.

• THE Farm Board is the boldest experiment in the field of politico-economics America has ever undertaken, not excepting the Interstate Commerce Commission. Its success or failure is of great importance to every business man. And, aside from that, the experiment is dramatic and exciting. The week's news includes what The Board is doing to cotton market and the story of the man who is to market Farm Board wheat, becoming the world's greatest grain dealer.

• BETWEEN the local commercial organizations and the great national associations of business men there is an important gap. Most economic problems are best attacked by cooperative effort within natural economic regions. THE BUSINESS WEEK presents a carefully-considered plan for bridging this chasm.

• AVIATION has a difficult job to do. But the industry isn't dismayed at the collapse of its boom. It goes into 1930 full of courage and constructive thought. This is another of THE BUSINESS WEEK'S critical surveys of important industries—we are taking inventory as business enters a less hectic phase.

• AMONG the most controversial of all business subjects is the question of the manufacturer's right to fix the retail price at which his product shall be sold. It involves the broadest and most fundamental principles. The battle over the Capper-Kelly bill makes the subject of immediate importance. An analysis develops that "There is much to be said on both sides."

• SOME scientists say in all seriousness, the radio tube may prove to be more important than the electric light bulb. Have we at last found a mechanical mind? The applications already discovered will amaze you unless you are a special student in the field.

Business Outlook—Cloudy, Somewhat Colder

THERE is no marked change in any of the business indicators for the final weeks of the year, normally the low points in basic industrial activity and primary distribution. In both respects the 1929 levels were below those of 1928, but not more so than in preceding weeks. Building projects particularly appear to hold up well. The next two weeks' records will show whether the usual upturn in railway traffic will be as strong and the first of the year money turnover as large as a year ago. General trade sentiment does not indicate that the course of business will diverge greatly from the normal trend for the season.

There is no evidence as yet that general purchasing power has been greatly curtailed, or that the slackness in business reflects more than a holding back of buying. Price levels continue fairly stable and inventories low. If buying power should be quickly released early in 1930 and industrial activity does not turn upward fast enough, there may be a buyer's scramble and a sharp rise in commodity prices next spring.

Money rates have not eased as much as expected, or as much as may be desirable for early business stimulation. This may indicate that the trade recession is less marked or is expected to be less prolonged than is generally supposed. Growing business depression in Britain, Germany and other countries abroad, however, is not a favorable sign.

Free Trade Steps Forward And Back

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THIS week's news from abroad illustrates again the crab-like progress of the movement toward greater freedom in international trade.

On January 1 the International Convention for the Abolition of Import and Export Restrictions and Prohibitions (see THE BUSINESS WEEK, December 25) came into force tentatively among nineteen countries.

This scratching of fountain pens does not abolish anything immediately. It is at best a promise that the trade obstacles in question will be removed by July 1, 1930. Any of the countries concerned may withdraw by June 1 if Poland and Czechoslovakia, which have the largest number of restrictions to surrender, do not ratify the convention by that time. Eight countries, however, including the United States, have signed unconditionally and may allow the convention to remain in effect even though the remainder pull out.

Nevertheless, this agreement is a step forward toward greater commercial freedom; it will relieve foreign trade to a degree from some of the worst forms of trade barriers. The failure of Poland and Czechoslovakia to participate will lessen the advantages of this agreement for the United States, because the importation of American automobiles will still be restricted to 1,000 cars in Czechoslovakia and 1,000 metric tons of automobiles annually in Poland. But the following are some of the things of interest to American trade which may be imported by the other signatory countries more freely than before under the convention: fruit preserves, canned goods, silk goods, rubber goods, leather footwear, aluminum wear, water turbines, radio apparatus, automobiles, motors, films, crude petroleum, lubricating oils, dyestuffs, cereals and flour, lead oxide, red and white lead, fertilizers, margarine.

At the same time, the news comes from Paris that the French government is planning to impose new and extremely high tariffs upon all foreign automobiles, trucks and automobile parts. Although it applies to all foreign cars and trucks, the measure is aimed to drive American motor cars from the French market. Italy and Great Britain do a comparatively small business in France. American companies sold 15,000 cars and 700 trucks in France during 1929. Ford cars assembled in Paris from parts exported from the United States accounted for 10,000 of these. According to the present draft of these tariff measures, the duty on parts for assembly and replacement will be raised to three times the previous rate, or 125% ad valorem, while the duty on completed cars would be increased from the present 45% to about 90% ad valorem. The new duties on parts would also affect American manufacturers of automobile parts who have a large business with French manufacturers. Some French cars contain as high as 50% American parts.

This move, which is still in the stage of discussion, is part of a movement that has become noticeable in Europe in recent weeks to push through rapidly increases of duties before any "customs armistice" which has been under discussion at Geneva, becomes effective. This movement has been stimulated by increasing anxiety in Europe about American plans for aggressive expansion of our foreign trade.

Business Competes With the Banker

THE non-banking "banking" structure of the country, erected in pre-panic days, continues to function. New incursions into the field heretofore reserved for banking are even now taking place.

Loans in the call market for "others" grew in the last 18 months of the late bull period to total nearly $4,000,000,000. These were funds of foreigners, corporations and individuals, with corporation funds most important. Eventually, more than half of the call loans were for others than banks.

Came the crash and this class of loans immediately went into a rapid decline. The banks were left to hold the bag. That they did this adequately was shown by their $1,000,000,000 increase in a few days.

The "other" lenders, mostly corporations, have withdrawn $2,174,000,000, since the peak. This now rests somewhere in their coffers. The question of what use will be made of these funds has been puzzling bankers. Some part may go into construction, some into investments, some into other financial uses.

But in some cases, corporations are using their funds to make loans, just as banks do. Usually, these loans go to customers—from a manufacturer to his retailer, for example. With the loan goes the stipulation that the funds shall be used for the purchase of the lending concern's products or to push sales of these products.

The "other" lenders also remain in the call money market to the extent of lending more than half of the funds there. Thus criticisms levelled at this practice in pre-panic days apply with equal force at the present time. In only two weeks since early in 1929 have the outside lenders accounted for less than one half of the brokers' loan total, and those were during the chaotic weeks of the crash itself.

This whole peculiar problem arises out of the existence of huge corporation surpluses, a phenomenon unknown until recent years. They reflect the extremely prosperous condition of industry. They also show a degree of prosperity in the lending corporations from which the stockholders,—actual owners—have not yet fully benefited.

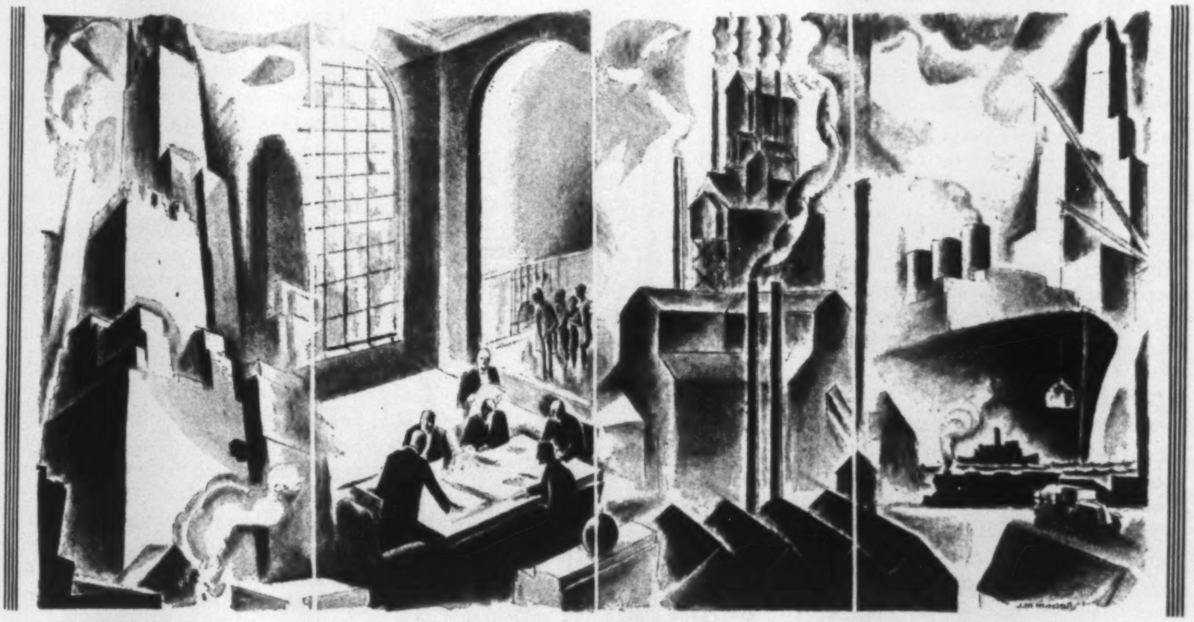
Argentina's Weakness Is at the Top

FROM Argentina have come two items of news rather more closely related than would appear on the surface. One announced the closing of the conversion office which controls exchange operations and the support of the national currency; the other, a frustrated attempt to assassinate President Hipolito Irigoyen. Argentina blames the present executive for a large share of the current economic troubles. The closing of the conversion office has been received, both in Buenos Aires and abroad, as executive interference on a highly destructive scale.

Argentina has imported a large quantity of gold, beginning at the end of 1927; this gold has now begun to flow back, to New York and London, drawn, in large part, by the high interest rates but also by the fact that the previous gold imports were temporary balancings, expected back in New York and London within a short time. Argentine financial organization is still relatively crude and gold imports and exports are necessary. Moreover, the money markets in New York and London had both eased off before the president of Argentina closed the conversion office, and gold exports would have slowed up inevitably.

It is charged, and with some support, that President Irigoyen listened to the planters who saw lowering returns for their products abroad and decided that they would like to have a temporarily cheaper exchange in order to get more pesos for their foreign receipts—an old trick familiar to even the most advanced Latin American countries. The result has been a serious blow to Argentine exchange, and a virtual return to unredeemable paper, in spite of the fact that the country had one of the world's highest gold reserves—around 78 centavos to the peso.

There is this ray of light in the fi-



nancial situation: the crisis may hasten the organization of the Argentine currency on a sound modern basis, with a legitimate gold reserve instead of a virtually metallic currency such as the present high gold reserve produces.

But there is no immediate likelihood of sound fiscal legislation in Argentina. President Irigoyen has been a serious impediment in the way of modern government in that great republic. Elected for a second six-year term a year ago (after a sabbatical of six years) he has turned out to be a very old man—in ways as well as in years, of which he boasts nearly eighty. He has insisted on scrutinizing and interpreting every legislative act and every expenditure before authorizing it—an impossible task even to a man in his prime. Millions of government bills have been held up for months and the banks in Buenos Aires refuse to discount them.

In addition, the President is charged openly with authorizing vast expenditures by decree, and has refused to send a budget to Congress on the ground that Congress has already authorized him to put into effect the budget he wants, without scrutiny. These vagaries, added to the drought of last winter (during our summer here) and the reduced linseed and wheat crops, have not helped the economic situation nor eased the feeling about it.

There has been open talk of means to be taken to "get rid" of President Irigoyen. He has immense popularity with the masses, due to his reputation for advanced social ideas, but the business community, including thousands who voted for him, is now bitter against him. There has been talk of a coup d'état. This once went so far that his own supporters had agreed to it, and then withdrew charging that the honor of Argentina should not be so stained. The recent attempted assassination has been laid to the door of an Italian anarchist, working almost alone, but the talk in Buenos Aires may well have inspired him.

The Argentine situation, taken as a whole, carries little of concern for the commercial position of the country. Exports will be low, but there is a large gold surplus and the country is in sound condition. There is no danger that a revolution, even if one came, would be anything but a rising against the individual abuses of President Irigoyen.

Philippine Independence, Who Wants It, and Why

EARLY in January the Senate Committee on Territories and Insular Possessions will hear a delegation of Filipinos plead for the independence of their islands. This question has been agitated for 30 years or more—ever since the United States acquired the islands, partly by purchase and partly by capture, after the Spanish-American War. It figured largely in the debates on the tariff during the recent special session. It has become important lately because of the considerable business interests involved, and it would not be surprising to see some definite action taken in the next year or two to change or clarify the status of the Philippines.

That status is a bit muddled. In some ways, the Philippines are in the United States yet not of it. The Jones Act in 1916 gave the islands a degree of self-government and pledged independence at some indefinite future time. Yet, though Filipinos are now subjects of this country, they cannot be citizens. In several legal respects, they are men without a country.

Moreover, the existing Merchant Marine Act provided for bringing the islands under the coastwise laws, thus restricting to American vessels the shipping between them and the United States, subject to the approval of the President. American shipping interests want this done, but the President has taken no action.

This is an example of the way the setting of the question of Philippine independence has changed in recent years. It used to be a political question involving such abstract questions as self-determination, the meaning of the Declaration of Independence and the philosophy of Kipling's "Recessional." In part, it still is political. Those Filipinos who want independence demand it on theoretical political grounds. Those in the United States who hesitate to grant independence do so because they want to hold the Philippines as a military stepping stone in the Pacific and are afraid that the islands, left alone, will be gobbled up by other powers.

But the real questions which agitate Congress today are economic, and there are many sides to this aspect of the problem. It has been amply demonstrated that from a business point of view, holding the Philippines is a great advantage to the Filipinos but a net loss to the United States to the amount of many millions of dollars annually. A recent estimate by Rufus Tucker places the costs, direct and indirect, of our occupation, including losses due to tariff exemption, at $26,000,000 annually, not including interest on the purchase price and the expenses of conquest, while the total gains to all classes of American citizens from American sovereignty amount to less than $10,000,000 annually. As against this net loss, the privileges which citizens of the Philippines enjoy, including tariff exemption and government employment, are worth at least $70,000,000.

The advantages which the United States has in Philippine trade are largely negative. We buy more from the Philippines than we sell to them every year. Our purchases are in most respects highly competitive with certain American interests—especially American producers of sugar and of vegetable and animal fats, as well as of some manufactured products like rope, embroideries, furniture, buttons, cigars. Since Congress is now bent upon protecting the farmer by higher duties upon competitive agricultural products there is a strong demand for a tariff upon such imports from the Philippines. Since this cannot be done so long as the Philippines are a part of the United States, agricultural representatives in Congress favor independence.

Yet independence on these terms will probably be costly to the Philippines, and might hurt other American trade interests, by reducing the purchasing power of the islands. American goods imported into the Philippines are now not subject to duty. The islands are the United States' best single export market for cotton textiles and dairy products. The total business with the Philippines, going and coming, has expanded rapidly under free trade relations established in large part in 1909 and made practically complete in 1913, and now amounts to about $200,000,000 a year. American investments in the Philippines are comparatively small—about $150,000,000—and are not growing because of the uncertainty of the future political status and of Congressional policy with reference to tariffs.

Filipinos are by no means unanimous about this independence matter. The newer generation apparently realizes the difficulties involved and it is doubtful how many of the influential interests in the islands now prefer independence to the economic benefits going with American rule. In fact it may be said that the most ardent advocates of Philippine independence today are Americans in Washington.

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Mexico's President-elect Talks of Labor Laws

MEXICO'S President-elect has had almost as many and as diverse jobs as our own President. Pascual Ortiz Rubio has been local official, congressman, state governor, head of the engineering department of the National Government, secretary of communications, minister of war, diplomatic representative both in the old world and the new.

Pledged to continue the general policy of Presidents Calles and Portes Gil, nevertheless his stress on certain points, as he talks to officials and business groups in the United States, has been quickly noted. The points:

"Stringent labor legislation now before the Mexican Congress will have a beneficial effect on laboring classes without discouraging foreign enterprises.

"These laws embody constructive legislation similar to laws now in force in many countries, including the United States, and will provide definite working conditions which can be gauged and calculated in advance by foreign capitalists contemplating investments in Mexico. . . .

"The Box bill, which proposes to put Mexicans under the quota law, is altogether a matter for the United States to settle. If we have any interest in the bill, it would be the academic one on the side of its merits in keeping Mexican labor in Mexico. That is the thing we are trying to do ourselves. . . .

"There is vital need of raising the living plane of the Mexicans, not by radical legislation, but by means of gradual increase in the productive power of the nation, and through development of its natural resources. . . .

"We must improve ports on both the east and west coasts, strengthen agriculture, open lines of communications to enable farmers to find a market for their produce."

Primary problem to receive the attention of the new President in January is the economic program, with substantial payments on foreign debts, and maintenance of internal payments.

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Financial Frost Blights Merger Crop

THOSE who anticipated that the stock market crash would turn a cold shower upon that inter-corporate affection which has produced so many mergers in past months, are apparently justified by the record of mergers during November. So far as can be gathered from newspaper reports, there were only eighteen mergers during that month as compared with fifty-two during October, and an average of between forty and sixty during the preceding months of the year. One of these was in the carpet manufacturing industry, three in the grocery field, two in dairy products, four in iron and steel, three in oil—besides single distillery, moving picture, insurance and investment trust combinations.

Distribution ► Reciprocal Buying Comes Into Court at Last

QUIET investigation by the Federal Trade Commission into the old, old practice of forced reciprocity in buying has been brought into the open.

A complaint alleges that the Mechanical Manufacturing Co., Chicago, controlled by members of the Swift family, has "induced and compelled" railways to purchase its "Durable" draft gears and other equipment by promises of a greater volume of tonnage from Swift & Company, or by threats that such freight will be diverted to other lines. R. O'Hara and W. A. Mayfield, traffic manager and assistant traffic manager of Swift & Company, are named as correspondents.

The complaint is the first of its kind. It probably will be followed by others when the commission has sifted evidence it has gathered. It appears the trade commission's investigation antedates that instituted by the Interstate Commerce Commission several months ago. The I. C. C. has a squad of investigators now combing the files of the railroads for evidence of reciprocal buying and routing, but is not yet ready to bring the matter up at a public hearing.

With two branches of the government accumulating evidence as to the extent of reciprocal buying it is probable the matter will not be dropped until it has been carried to the courts.

The courts may find that when instigated by the railroads, the practice violates Section 3 of the Interstate Commerce Act which states that it shall be unlawful for the railroads to give undue or unreasonable preference to any particular person, firm, locality or kind of traffic. The courts may hold that when initiated by the shipper the practice constitutes an unfair method of competition under Section 5 of the Federal Trade Commission Act. As neither statute has been invoked in this connection before, it is also conceivable that the courts may find that one and not the other is violated, or that neither is violated.

There is no imputation in this first case that the shipper offering tonnage as bait is holding up the railroad for a higher price for his product than the railroad must pay elsewhere; or that the product is inferior. The trade commission alleges, however, that the practice is prejudicial to competitors. Viewed from this standpoint, there would appear to be a chance that the trade commission could make a cease-and-desist order stick. Even then its effectiveness may be doubted, as Swift & Company is not a respondent to the complaint. Also, would an order against traffic officials be binding upon their employer or upon their successors?

The Federal Trade Commission gives no hint concerning pursuit of its investigation into reciprocal buying relationships between commercial firms. The same element of prejudice against competitors is present but, according to curbstone opinion, the commission is not likely to become entangled in the maze of agreements and understandings that control inter-industrial sales. Common ownership and control is a big factor in reciprocal buying. Even lacking this, reciprocal buying frequently is a mutually profitable practice.

Perhaps duress will be adjudged the element of offense. One need not talk to many railroad officials or many men in other lines of business to draw out bitter complaints of being forced to buy where they do not want to buy—complaints which, in the nature of the case, they are afraid to make publicly.

Retailing ► Every Store A "General Store"

DRUG stores are not making enough money so they are going into the restaurant business. Grocery stores are not making enough money so they are adding fresh meat and delicatessen departments. Packers are not making enough money so they want to go into the grocery business. Mail order houses go into the chain store business. Now the cigarette war is reducing tobacco store profits so that it is rumored that United Cigar Stores Company plans to add groceries. Everyone is poaching on his neighbor's field. Consumer's dollars have not increased so each roving retail group must take its newly sought gains away from some other group.

But it was to be expected that United Cigar Stores would take to selling gro-

International Newsreel Photo

BURNED OUT OF HERE

President Hoover's private room in the White House Executive offices, which were badly damaged by fire on Christmas Eve. Exact damage still undetermined, but many valuable records are known to have been destroyed ceries. George K. Morrow, one of the principal owners, is also head of the new Gold Dust Corporation merger. Besides Gold Dust and Fairy Soap, this corporation produces several brands of shoe polish, margarine, mayonnaise, pickles, salad dressing, shortening, H-O flour, macaroni and other grocery products. Now that women are coming to cigar stores to buy cigarettes it is too bad not to capitalize on the effort which brought them in!

Textiles ► Wool Men Oppose Farm Board Plan

ANOTHER group has organized to oppose the Federal Farm Board's specific program for the encouragement of cooperative marketing. Texas warehousemen and wool and mohair growers have formed the "Wool and Mohair Warehouse Association of Texas." They dislike the proposition of a central wool market either in Washington or Boston. The association contends that "the warehousemen are the most feasible and practical selling agency for wool and mohair," and when these products are held for marketing they should be stored near places of production instead of in Eastern storehouses.

Distribution ► McKesson & Robbins Face Clayton Act Complaint

THE Federal Trade Commission's complaint against McKesson & Robbins for alleged violation of the Clayton Act is the most significant item of the week's news in the field of distribution.

A characteristic type of combination, during the latest orgy of mergers, was that designed to eliminate duplication of distribution efforts by combining noncompeting items sold through the same outlets. The saving was to be found in a common use of physical distribution and marketing facilities.

The complaint of the commission is that McKesson & Robbins has combined so many of these lines as to create a monopolistic control over drugs, proprietary medicines and other articles usual to the drug business.

It seems the complaint was issued confidentially last summer and the company given an opportunity in an informal hearing to respond. The formal announcement of the complaint at this time is made because the hearing, as well as facts gathered from other sources, confirmed the commission's belief that this merger violates the Clayton Act. This case has many points which may receive further legal ruling or definition of significance to other recent mergers.

McKesson & Robbins last summer completed the organization of a national wholesaling company which now combines sixty-five units, all formerly independent drug wholesalers. This nation-wide wholesale chain has, in turn, made contracts with some eighteen or twenty thousand retailers to handle McKesson products and call themselves McKesson Service Stores.

Once equipped with this vast distribution network through which to market drugs and accessories, the company made agreements to handle the products of factories, or bought them outright, in this and in foreign countries, until its sources of supplies were assured. Thus a national system has been set up to control, either by contract or by ownership, the drug business from factory to final customer in stores throughout the United States.

A point of especial significance is that the combination has sufficient control of all steps of its own business so that it can eliminate most of the wastes of distribution, attain efficiency far beyond the possibilities of ordinary competitive business. We want to eliminate these wastes and attain these efficiencies. But are the business efficiencies worth the social costs? That is what the Federal Trade Commission asks.

Keystone Photo

HE'LL WORK HERE

General John J. Pershing's office in the State, War, and Navy Building, where President Hoover will transact the nation's business until his own quarters have been repaired

Retailing ► Storekeeping, But Not Bookkeeping

A SCHOOL of retailing is being organized in St. Louis. It offers a month's course in merchandising, showcard writing, advertising, window trimming, and general retail selling. Nothing is said of accounting, ignorance of which is a proved cause of many retail failures.

Twenty-five selected students will attend lectures, solve typical problems. The project is sponsored by the Rice-Stix Merchants Service Bureau.

Retailing ► Middle-Class Gifts Raised Average

DEPARTMENT stores, principally in New York and Chicago, report that 1929 Christmas sales ran almost as large as last year's—in some cases, larger. Moreover, average purchases per customer were heavier this year than last.

Sales of high-priced items fell off, but so did sales on extremely low-priced items. The buying shift up to—as well as down to—medium-priced articles raised the size of the average purchase in spite of the falling off at the top. The conclusion is that middle-class buyers have continued to buy normally, that rich customers have bought more medium-priced goods, that only low-salaried and low-wage earners have stopped buying.

Export ► Pacific and Gulf Ports Show Gains

NEW York, Philadelphia and Boston are losing their dominating position in the American export trade to Europe. Striking gains are being made by the Pacific Coast and Gulf of Mexico ports, the greatest being made by the former. These facts, indicating a gradual decentralization of exports, are brought out in a survey by the Department of Commerce just completed, covering a period of fifteen years.

In 1913, the North Atlantic ports handled 43% of the total exports to Europe. In 1928, this percentage had decreased to 39%, while exports from the Gulf ports during the same period had increased from 33% to 37% of the total. The Pacific coast ports, which handled only 1% in 1913, were handling 8% in 1928.

In round numbers, the value of exports to Europe from North Atlantic ports in 1913 was $649,100,000, and $942,800,000 in 1928; from Gulf ports $500,700,000 in 1913, and $895,800,000 in 1928; from the West Coast, $25,600,000 in 1913, and $191,900,000 in 1928.

The South Atlantic ports, though continuing to handle a large trade with Europe, showed a decrease in exports during the fifteen-year period of 8%. The exception to the rule was Norfolk, which gained in exports some 481%. This was due largely to the gain in value of tobacco and cigarette shipments, which increased from $2,500,000 in 1913 to almost $130,000,000 in 1928.

International Newsreel Photo

MORE PAPER PROFITS?

Premier L. A. Taschereau of Quebec, doesn't believe that paper manufacturers of Quebec and Ontario receive enough for their newsprint. He considers $60 a ton, $5 more than the present price, a "fair return"

Automotive ► Flying Start Made the Grade

DESPITE slackening of recent months, the automotive industry ended 1929 with substantial gains in production, sales, registrations, collections. Preliminary figures from National Automobile Chamber of Commerce place total 1929 output of motor vehicles in United States and Canada at 5,651,000—23% more than the 4,600,000 produced in 1928. Passenger car production increased 20%; trucks 40%. Proportion of closed cars to total went from 86% to 87%.

Estimated domestic sales were 4,500,000—26% above 3,574,000 of 1928. Car sales increased 24%; trucks, 41%. Total foreign sales—U. S. exports plus Canadian production—increased 23% to 1,015,000.

U. S. registrations covered 26,400,000 cars and trucks—8% more than 1928. World registrations are estimated at 34,700,000 vehicles—9% increase over 1928 total.

Gasoline taxes collected from automobile users totaled $415,000,000—$293,000,000 in 1928, 42% increase. Total motor vehicle taxes increased to $925,000,000 from $808,000,000 in 1928.

N. A. C. C. reports that 3,600,000 carloads of automobile freight were shipped over railroads last year, and that the industry used 85% of rubber, 67% of plate glass, 19% of iron and steel, 15% of copper, 18% of hardwood lumber, 27% of lead, 80% of gasoline. There are 56,300 car and truck dealers in the country; 51,200 public garages, 95,800 service stations and repair shops, 76,600 supply stores, and 320,000 filling stations operating 6[illegible]0,000 pumps.

International News

SIR HENRY W. THORNTON

President of the Canadian National Railway arrives at New York on the liner Leviathan. Sir Henry is a swell advertisement for Canada's famous furs

International Newsreel Photo

CLAUDE R. PORTER

Interstate Commerce Commissioner, and father of railroad consolidation. He devised the basis of the consolidation plan recently announced by the commission

Reparations ► Hague Conference To Finish Job

THE second Hague Conference which opened this week is expected, in optimists' language, "to complete arrangements for the final liquidation of the war." Many details have already been worked out, and the meeting is expected to last only about 10 days, giving delegates time to get to Geneva thereafter for the meeting of the Council of the League of Nations.

The conference hopes to wind up the task of putting the Young plan in operation. Actually, Germany began paying under the lower Young plan rates on September 1. But details, especially as to French "security," are to be worked out.

Equally important is consideration of the World Bank, an essential part of the Young plan. The experts' conference at Paris headed by Melvin Traylor found many points on which to disagree and the proposed statutes of the bank are not clearly defined. Even the location is but tentatively set at Basle, Switzerland.

Actual functions of the bank have not yet been definitely settled. Apparently at the start, at least, it will be primarily a reparations agent, to grow as it can. There are also political questions, not important to us, intensely so to the European nationalist. But recent direct, secret negotiations between European governments are said to have eliminated many of the points of disagreement.

The problem of the commercialization of part of the unpostponable German reparations annuities will almost certainly arise at the conference. This matter is one in which all European nations are deeply interested. The necessity of huge bond flotations brings the United States into the picture, for such flotations must have strong backing here.

Just how much of the difficulty the secret negotiations in past week have cleared away remains to be shown at the meeting. Premier Tardieu, of France, assured his Parliament that no such incidents as Snowden's spectacular stand at the first Hague conference would take place. This indicates that Dr. Hjalmar Schacht's sharp criticism of allied "encroachment" upon Germany has been smoothed away.

International Newsreel Photo

DR. RUDOLPH HILFERDING

Germany's Socialist Minister of Finance falls, is replaced by Prof. Paul Moldenhauer. Berlin political observers foresee, in scant vote of confidence on financial program, general Cabinet shake-up

Finance ► Clouds Rolling Away From World Outlook

THE outlook in international finance as the year opens is complex, but generally hopeful. The worst of what was a real crisis has passed with 1929. Extremely easy money seems improbable, but so does tight money. Several problems remain.

The magnet of speculation which has been drawing funds to New York from all the world was lifted as 1929 ended. Late in the year funds—and then gold—flowed out of the United States. Interest rates in most countries immediately eased off. This movement continues as the year opens, but does not seem likely to go so far as to bring about extreme ease. The Federal Reserve system is offsetting the effect of the gold outflow but is not likely to employ further relief measures.

The Bank of England is recovering from history's greatest show of courage by a central bank. Seeing its gold dwindle to France and America and unwilling to cause greater hardship to industry than absolutely essential, the bank let its reserve drop far below the usual requirements. Its course proved sound and its reserves now approach the £150,000,000 considered essential to stability. British rates have been lowered considerably, and will likely go down again.

However, London, with New York, joint financial center of the world, is not happy. Although the bank has recovered, industry contains many bad spots. The Labor government is weakening, the bank is facing an investigation.

Paris, like New York, has been a trouble-maker in the year just past. Gold-hoarding is the difficulty here. The Banque de France now has a gold reserve huge beyond its needs, second only to that of the United States. Repatriation of huge balances held abroad and interest in profits from gold imports are the reasons.

Ambitious plans for the development of Paris as another great world financial center are in the making. The government talks of lifting the prohibitive taxes on the stock exchanges. An acceptance bank is being set up to tap a source of banking profit that has been popular here and to utilize some of the gold. But these things take time.

The German situation is unsettled. An almost acute shortage of funds exists in that country, and every effort is being made to halt the piling up of huge foreign loans. The Reichsbank is in a fairly satisfactory position, but maintains a high discount rate. Forceful attempts are being made to right the nation's financial condition following the recent crisis. (THE BUSINESS WEEK, January 1.)

Japan has set January 11 as the date for lifting its gold embargo and her position leaves little doubt that the last important nation to return to the gold standard will come back without trouble.

Over the world financial situation hangs the reparations problem, final settlement of which is now being attempted at The Hague. Germany and the allies are alike anxious to commercialize a part of the reparation debt. Germany would sell bonds in the markets of the world, pay the allies in advance of due dates, save interest. This project will be undertaken as early this year as the machinery can be set up. Small "sample" issues will be tried at first.

Powerful forces in all of the leading nations are thus interested in a lower money rate and in its corollary, a strong bond market. Political influences enter into banking considerations. In England, the Labor government, no friend of high rates, exerts pressure on the Bank through Philip Snowden, chancellor of the Exchequer. German political leaders, none too securely seated, find high rates and a credit shortage irksome. Administration and business leaders in the United States, interested in stimulating business, press for lower rates and a stronger bond market.

Among the smaller nations considerable spottiness can be noted. Russia is undergoing so huge a currency expansion that inflation is near. Argentina recently closed the conversion office and thus went off the gold standard, the first nation to do so since the World War. The situation is probably only temporary.

Failure of the currency stabilization program and breakdown of the coffee marketing scheme have left Brazilian finances in a serious predicament. Chile is fairly strong.

International Newsreel Photo

MADAME SHPAGINA

A "liberated" Russian woman, director of the Soviet silk mill at Moscow. Seventy per cent of her 1,500 employees are women. She rates, and receives, a salute from the Agent in Charge of Labor Protection

Turkey has just gone through a monetary crisis with the Turkish pound dropping seriously in foreign exchange and in domestic value. Emergency measures are now in operation. Roumania and most of the Balkan and Central European states still suffer from high rates.

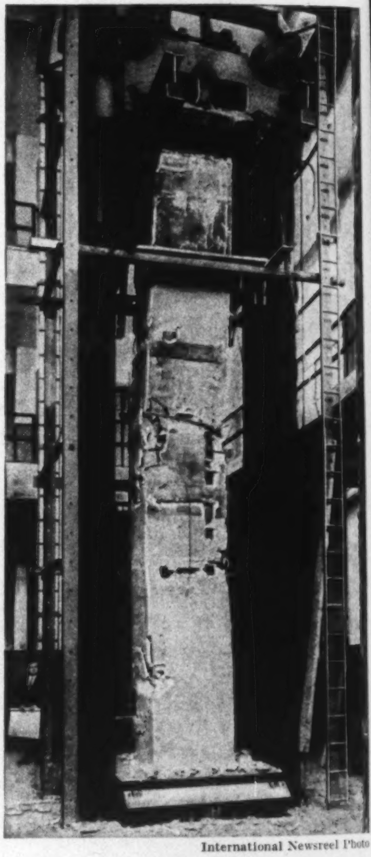
Australia is considering measures to make the Commonwealth Bank more effectively a central bank. The nation has lost considerable gold to England, but the financial situation, though not completely happy, is hardly serious. Canada is in a good position, although an unofficial gold embargo has been in effect for some months. Canadian bankers took the position that no good purpose could be attained by shipping their gold to Wall Street. As a result, the Canadian dollar has fluctuated violently. With a return to normal conditions, Canada likely will come back completely to the gold standard within the year.

Government ►

Now, Let's Think About the Census

NOW when business men are taking inventory and working on their books is a good time for them to remember that the forthcoming census will be a census of distribution as well as of population, and to get facts and figures ready for the enumerator. He will ask all sorts of questions which will be more difficult to answer than they sound.

The census-taker will point out the great difference between "Are you a manufacturer?" and "Do you do any manufacturing?" He will want to know what is your principal business; what other kinds of business you do; he will ask whether you are a jobber, broker, factor, or manufacturers' agent. If you do any manufacturing you will be asked what are the principal raw materials used. The enumerator will want to know the number of employees of each class, and the total salaries and wages. He will ask the total value of inventory, about net cash sales and gross sales. To answer practically all of these questions, the business man must prepare ahead.



International Newsreel Photo

THE NUT CRACKER

Giant tester of the Bureau of Standards, capable of exerting 10,000,000 pounds compression, has just hit this reinforced steel column, half the size of those to be used in the new Hudson River bridge. It required all the "nut cracker's" strength to affect the column

Distribution ► Chain Store Tax Upheld by Court

A DECISION which may have a widespread effect upon chain store operation has been handed down by Judge R. A. Nunn of the Superior Court of Wake County, North Carolina. He has upheld, as valid and constitutional, the state law imposing a special annual tax of $50 upon each store of a chain, excepting the first.

Eighteen stores, plaintiffs in the action, have filed notice of appeal to the State Supreme Court. If they lose there, they will appeal to the United States Supreme Court. If the law is finally held valid and such methods of taxation upheld, it probably will be followed by similar statutes in other states. And in regions where independents are particularly strong politically, it is not impossible that chain stores may be taxed out of existence.

The North Carolina law was enacted last year. It succeeded the act of 1927, which the North Carolina Supreme Court had characterized as an arbitrary classification of chain stores for taxation, and as lacking in uniformity. The 1927 law placed a tax on all units of a chain over five. Five or less stores were not considered as forming a chain. Counsel for the chain stores contend that the present law, against which a vigorous fight is being waged, violates the Fourteenth Amendment to the Federal Constitution, and Article V, Section 3 of the North Carolina state constitution, which provides that "laws shall be passed taxing, by uniform rule, all moneys, credits, investments in bonds, stocks, joint stock companies or otherwise."

Radio ► Their Trade-ins Are Burn-ups

RECENT public bonfires of obsolete radios indicate that radio retailers are tackling the trade-in problem vigorously. Typical example: A music store in Evanston, Illinois, sold 150 radios just before Christmas, took more than 100 machines as trade-ins at an average of $15 each, scrapped them all, salvaging an average of $5 in batteries, eliminators and other parts.

Machinery and motor car manufacturers might find food for thought in this method of clearing the market. It may cost more in second-hand profits to make a second-hand sale than to scrap the second-hand trade-in.

P & A Photo

YOUNG RUSSIA LISTENS

Political news, instead of jazz, is the principal radio fare of the youthful Communists of the Soviet Republic. Groups like this, composed of members of the Communistic Russian-Youth Association, gather before the loudspeaker for political instruction

Building ► Signs of Life Show Through Winter Torpor

THE news about building construction is confusing and puzzling. The gross figures of contracts awarded are not very encouraging; but the mid-winter holiday season is hardly a time at which to expect very much outdoor building or heavy construction to be going on. Nevertheless there are signs that beneath the ice and snow of the season there is a considerable stir of building activity preparing for the near future. Building permit figures do not reveal this because they reflect principally work that is planned for small residential structures. One general encouraging sign is the fact that the F. W. Dodge figures of general building contract awards week by week during the past two months have shown no sign of the complete collapse that might have been expected, even though they have been running in most weeks below last year's level. In the New York district they are far ahead of last year.

Another hopeful sign is the fact that in recent weeks orders for structural steel have been running at fairly high levels. In fact, structural steel orders have held up remarkably well throughout the past two months and have been an important factor in sustaining steel mill operations. Last week orders reached the figure of 90,000 tons, which was the second largest figure for the year. Such orders are considerably in advance of actual construction work.

Moreover, the McGraw-Hill *Construction Daily* reports that extensive industrial public work and railway improvement projects announced through-

International Newsreel Photo

WINTER COMES TO LAKE ERIE

The steamers Edward E. Loomis and La Ganda, two of the nineteen ships which were caught in the ice near the mouth of the Detroit River

out the country in the final week of the year raised the money value of proposed heavy construction operations to over $119,000,000 as compared with about $55,000,000 in the same week last year. For the month of December all classes of heavy construction operations reached the proposed stage, aggregating $391,823,000 as compared with $364,950,000 for the same month in 1928. The largest group in these for the week was railway improvements, followed by public building and industrial building.

Production ► New Products Make a New Job

THE pressure of competition has stamped out a new job and a new specialist has stepped forward to take it. This is the job of creating and designing new products or improving old ones, to get maximum sales appeal, better customer satisfaction, lower production costs. The field now has its own publication, *Product Engineering*, a monthly devoted to the interests of product engineers and designers, issued this month for the first time by the McGraw-Hill Publishing Company and edited by a staff headed by Kenneth H. Condit, editor of *American Machinist*.

Agriculture ► Cotton Gets Marketing Corporation in 1930

THE Farm Board is nearing the completion of its blueprint plans—corporation charter and by-laws, etc.—for the fourth of its gigantic machines for cooperative marketing, this one for cotton. The grain marketing machinery of the Farmers National Grain Marketing Corporation is about completed and has begun to clank along despite the grain traders' monkey-wrenches. Similar organizations to handle livestock and wool have been set up but are not yet functioning.

Next to the Grain Corporation the cotton marketing agency now being organized will be the largest of the lot, at least in the sense that it will have the biggest and most difficult job. The job of organization is so large that the corporation will not try to do any business in cotton until the 1930 season.

The first task of the new corporation is to set up an effective marketing agency for the fourteen cooperative associations now handling cotton. For these the corporation, with $30,000,000 in capital, plans to provide central marketing facilities and sales services to buy cotton and cotton by-products, to centralize the financing of the cotton products handled by the cooperatives, to acquire physical facilities for storing and processing cotton, and to handle cottonseed for planting purposes.

This will be easy compared with the task of increasing the scope of cooperative control of the cotton crop by bringing in to the co-ops a larger proportion of the million or so cotton farmers. A much lower proportion of the cotton crop than of any other staple agricultural product is now handled cooperatively—probably not more than 15%—and the cooperative organizations have at present little influence upon the cotton market. The Farm Board says that its granting of increased loan facilities during the present season has tended to bring in new members to the cooperatives very fast, and it hopes by next year to increase the percentage of the crop that will be handled through the cooperatives.

Even though the organization succeeds in controlling enough of the crop to influence or stabilize prices by more orderly marketing of cotton, there are more fundamental problems to be solved before the position of the American cotton farmer can be much improved. It is doubtful whether the mere power to control prices, even if effective, can have much influence in the long run.

In some of the older cotton growing regions the production of cotton by small scale farmers and old methods is wasteful. Many of these farmers will have to be eliminated, and the growing of American cotton be shifted to newer regions. There is ample evidence that American cotton is gradually losing its hold upon world markets. Its quality is deteriorating and the competition of Indian and even Chinese cotton for use in European mills in producing cheap cotton cloth has increased steadily in recent years. American farmers must produce better cotton more cheaply in order to retain their advantage in world markets.

It is becoming more and more difficult to fool the cotton consumer by any price manipulation scheme. The statistics of the supply of cotton are increasingly complete. At any time the buyers know pretty well just how much cotton is going to be available in one season or the next, whether in storage or in the market, and are able to determine what it will be worth in terms of the demand for the finished product and the supply of the raw material. As the American monopoly is weakened by growing foreign competition the prospects of improvement for the cotton farmer solely through price control are becoming less favorable.

P. & A. Photo

GOING! GOING!—

When it finally fell, this 80-foot, 400-ton brick and concrete tower of the old Boston Post Office, demolished to make way for a new structure, struck with such force that office buildings quivered and windows were shattered

Agriculture ► Farm Land Market Looks Up For First Time Since 1920

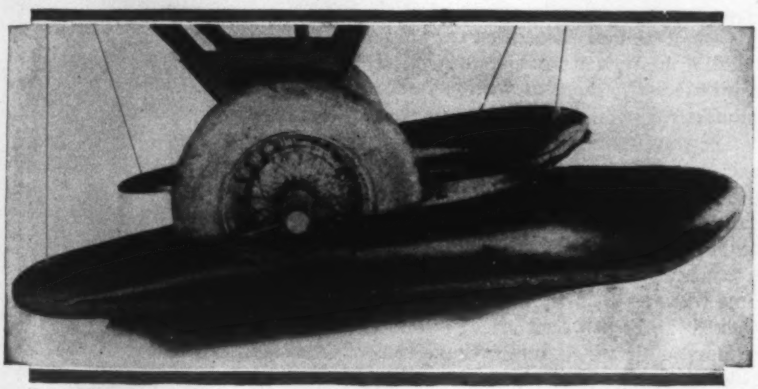
THE signs point to some stabilization in farm prices in 1930. Thus far, the situation can hardly be said to justify great optimism but it is much less disturbing.

Hope is widely held that the long deflation of land prices, since 1920, may be at an end. At present, the average acre value of farm land is only 16% above the pre-war level, against 70% in 1920. With allowance for change in value of the dollar, the Department of Agriculture estimates that farm real estate is now actually worth 20% less than in the pre-war period.

The end of this long decline, with its many foreclosures, is of great importance to business. The trend has been reflected in curtailment of agricultural purchasing power.

Now, the number of foreclosures is decreasing and, at the same time, demand for first-class farm land is improving. The sheriffs' sales of recent years have held the land market against the bottom. Banks, forced to take over considerable farm land in late years, say that 1929 sales have been well ahead of those of any recent year. Both they and the Department of Agriculture report more stable land values.

Demand is strongest for first class fertile land. The decline continues almost unabated in the less fertile regions with little hope of early improvement. The farms being sold are clearly passing



Herbert Photos

SNOWPHIBIANS

In less technical language—specially slotted skis, strong enough to absorb the landing impact of heavy mail and transport airplanes. They will be attached to ships flying over the heavy snows between Chicago and San Francisco into stronger hands. Increasing amounts of cash are being paid with purchase. Several groups doing a bulk of more than $1,000,000 show average cash payments of above 40%. Prosperous farmers are active in purchases of adjoining parcels of land at bargain prices. Buying from cities is reported in some sections.

The credit situation is the most important factor in the 1930 outlook. For the first time in two years, it is favorable. In the past year rates have not only been high, but funds have been scarce even at the high rates. Just as in the cities, the rural mortgage market has been hard hit.

Thus far the monetary easing in financial centers has hardly been felt, but there should be a change this year. Even though rates do not decline appreciably, funds will be more plentiful. Already, rates charged by the Federal Land banks are showing slight decreases as the banks' debentures are floated at smaller charges.

The approach to a stable income for agriculture is the second important factor in the outlook. Much remains to be desired, but authorities see a trend toward greater stability, and Farm Board activities aid in this direction.

Finance ► Few Stocks Venture Out in the Cold

DECLINES in total of new security issues put out in November, 1929, both here and in Great Britain, reflect decline of public interest in the market.

Total new flotations in the United States in November, 1929, were $297,000,000 against $963,000,000 in November, 1928, $877,000,000 in October, 1929, and $1,614,000,000 in September, 1929. The total of new issues put out in first 11 months of the year makes an all-time record total of $10,874,000,000. According to preliminary showings, December's total is likely to be lower than November's. Many security issues have been postponed or even recalled since the crash, and offerings of rights have been revoked.

In Britain November issues stood at half the total for November, 1928, and one-fourth that of November, 1927. Indications are that new issues in December will be about $30,000,000, or about half of the November total.

Very few foreign securities have been issued in either of these two chief lending markets of the world in recent weeks, though Britain has been much more liberal in this respect than the United States.

International Newsreel Photo

A ROYAL HEIFER

The name is Poppy. The King of England owns her, and she won a first prize at the recent cattle show of the Smithfield Club

Shipping ► Four-Day Boats On the Horizon

European Bureau
The Business Week

FOUR-DAY boats begin to look like possibilities when discussed by Professor Bauer, designer of the *Bremen*, world's fastest liner. Aggressive, merchant-marine-minded members of the German Technical Association for Shipbuilding heard him promise such speed ships recently, agreed with advance proposals.

The travel-minded public made other deductions. Four-day boats would mean that one could leave New York Friday evening, be in Paris Tuesday morning, in Vienna Wednesday at 3 p.m., or in Constantinople Saturday evening—at a time when a seven-day boat has not yet sighted the French coast.

Ship-builders the world over are considering the matter seriously; time-conscious travelers are ready to patronize. As dreams of over-ocean dirigible service crystallize into companies for construction, the shipping lines look to plans—faster schedules.

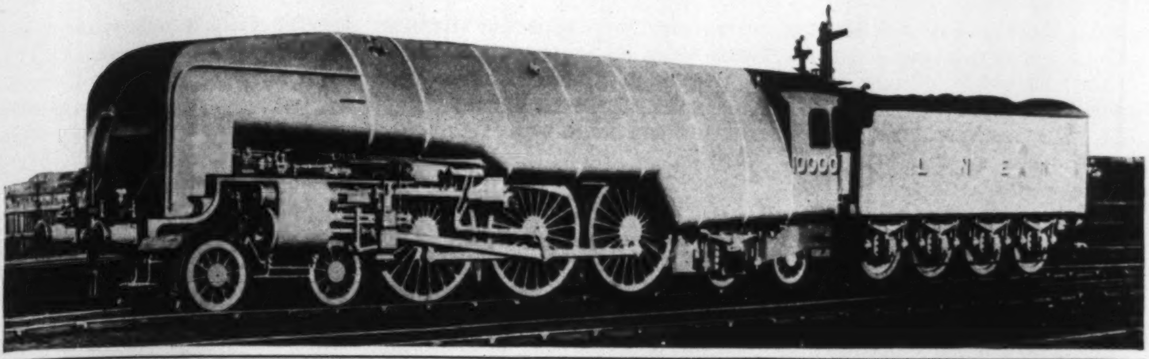
Canning ► And We Did Like Peaches!

PEACH canners in California are faced with a problem. Killing frosts in the cling peach sections of California reduced the 1929 crop to 15% of normal. Canners, therefore, are paying $70 a ton for peaches. Last year they paid $20. Present average price is 35 cents a can or 3 for $1. Will the American housewife pay more than 50 cents?

International Newsreel Photo

A GOLD DIGGER?

She may be, in the scientific sense of the phrase. For Miss H. Elizabeth Carey, of Bellingham, Washington, is a student in the Washington State College School of Mines—the second woman in the history of that institution, and one of the few in the country, to specialize in that field



International Newsreel Photo

THE "HUSH HUSH" ENGINE

A new type of English high-speed locomotive, nick-named the "hush hush" by workmen because of the secrecy with which it was built. It embodies many new ideas in boiler design

Finance ► Credit Adjustment Speeding Up

CREDIT readjustment is in progress throughout the country, but is moving slowly. Developments starting this week will speed up action.

The marked reduction of indebtedness to the Federal Reserve system of banks in all districts excepting New York and Chicago is most significant. Heavier borrowing in those districts is only temporary to meet holiday and year-end settlements, and should soon fall off.

This nationwide reduction of indebtedness is evidence of the aversion that bankers have for being "in" the Reserve except by necessity. First funds coming to hand are used to get "out" of the Federal as much as possible. This reduction tends to ease the Reserve position.

The banks continue pretty well "loaned-up" though much less so in the New York and San Francisco districts. Investments, which, for months, had been sold to provide funds for further loans, remain at the low levels of pre-crash and crash weeks. Insufficient liquidation has taken place to permit bankers to revitalize investment portfolios.

Loan figures for the more than 800 weekly reporting member banks of the Federal Reserve verify these statements. Loans in New England, the East and the Far West continue especially high, while in the interior there has been some reduction. Detailed examination of the loan figures by Reserve districts shows no marked changes excepting in New York. Use of the New York figures alone is quite deceiving. For more than two months, almost every New York trend has been counter to that of the other districts.

Member bank loans in all districts have been little affected by the holiday—excepting that in Chicago and New York a great deal of short-term borrowing has been done in financing and meeting holiday demands. This also accounts for the increased borrowing from the Reserve bank noted in these two districts. That condition is temporary, and already is being reduced. As the great majority of the loans are for short term—one to four months—many will fall due in the next two months, which will be a test period in most regions.

Production ► New Merger Means More Pullman Freight Cars

PULLMAN has acquired, by exchange of stocks, Standard Steel Car Company and Osgood-Bradley Company. Three representatives of Mellon interests are added to the board of Pullman, Inc. J. F. Drake, former president of Standard Steel Car, becomes chairman. David A. Crawford continues as president.

Pullman board of directors, even after this merger, is an exceedingly small one. Around the board table sit George F. Baker, George F. Baker, Jr., J. P. Morgan, Harold S. Vanderbilt, Alfred P. Sloan, Jr., George Whitney, Arthur O. Choate, George M. Reynolds, Donald R. McLennen, John R. Morrow; and R. K. Mellon and A. M. Scaife, the other two new-comers.

Scanning this directorate, one is not surprised to be told that Pullman's cash resources are exceeded only by General Motors, U. S. Steel, Ford interests, possibly one or two others. It is presumed that desire to give these surplus millions work to do was one merger reason.

The new Pullman plant at Bessemer, Ala., is a freight car manufacturing unit. So are Standard Steel Car and Osgood-Bradley. Thus Pullman is on the way to attaining the same dominance in manufacturing freight equipment that it already has in manufacturing passenger equipment. By this latest merger it acquires its first foreign plants: La Rochelle, France; Rio de Janeiro, Brazil. In its previous best year it made 21,209 freight cars, about one-fifth the country's total for 1929.

Automotive ► Show New Models And "New Models"

NEW models! And some not so new! As usual, both appear at the New York Automobile Show, opening in Grand Central Palace this week. The show spotlight is on the new eights.

Hudson, Oakland, Peerless, Dodge, Willys-Knight Graham-Paige (which becomes "Graham" at the show) have replaced 6-cylinder models with eights. The first two are no longer available as sixes; others retain one or more 6-cylinder models. DeSoto has added a straight eight to its 6-cylinder model. Hupmobile and Marmon add eights. Peerless and Graham add other eights besides replacing sixes. There are now available more 8-cylinder models than sixes.

Other features of the show are the V-16 Cadillac, 185 horsepower, 29 body models; Gardner front-drive, based on Ruxton patents; Franklin with an improved air-cooled, aviation engine. Outside the show, new Ford bodies are on display; the American-built Austin is being unveiled for prospective dealers.

The Hudson eight and Essex 6-cylinder engines have many interchangeable parts. DeSoto and Oakland eights will sell in the $1,000 class. The new Dodge line consists of a six and an eight at about $1,000. Willys Six is the new name of the Whippet Six. Ford body changes are those described in THE BUSINESS WEEK for September 28. Stainless steel is employed for all bright metal parts now nickel-plated. The new Austin has American-design bodies; chassis and engine are practically identical with the British model.

Many "new models" will be such chiefly by virtue of a new name, a coat of paint and a bushel of assorted adjectives.

Meetings during show week will arouse unusual interest this year. Whether or not the policy of announcing new models annually comes up for discussion, everybody will be thinking about it. Critics say that waiting for new models, usually announced in winter, contributes largely to the year-end slump. The automotive industry claims the slump is truly seasonal, that new models are powerful sales stimulators. Whatever the cause, winter decline in automotive production affects the employment of 4,000,000 workers in the industry and has important repercussions on steel, rubber, textile, machine tool and other industries—on the whole industrial life of our country. Present conditions emphasize the question of whether the automotive industry is adequately discharging its responsibility to the country in stimulating its own sales by an artificial device which tends to depress other industry.

Swift Survey of Business Abroad

EUROPE

By Special Cable to
The Business Week

BUSINESS reflects the usual year-end lull. European business opinion is divided: some maintain a world-wide depression cycle is beginning; others anticipate renewed capital infusions, particularly in Europe, which will make possible a general industrial and business revival and establish a new equilibrium on a higher level of wages, production and consumption. It is generally agreed that The Hague conference marks a point of departure and will determine much for the future of business. It is doubtful whether the tariff truce conference, scheduled to open in Geneva on January 13, will function in more than a very limited way. Of 50 countries invited to attend, only 10 scattered European countries have accepted. India, Australia, and South Africa definitely decline; Brazil comes only as an observer; all others have failed to reply.

Failure of the treatment-of-foreigners conference, and only partial success of the trade restrictions conferences evidence the general reluctance of European countries to surrender any part of the control of their own destinies.

Great Britain—Temporarily overshadowing all domestic problems except The Hague conference and final preparations for the Naval parley, are the extrality claims of China, and the Lahore gathering of India's radical India-for-the-Indians leaders. Action from Nanking and from Lahore is tensely awaited.

By Special Cable to
The Business Week

France—The Banque de France is expected to reduce the rediscount rate to 3%. The pending bill proposing reclassification of automobile parts, and 35% to 100% increases in import duties, is claimed prohibitive to the assembly, and hampering to the servicing, of foreign cars. A second bill would increase duties on completed cars. The first bill proposes the reduction of internal automobile taxation. Saint Gobian, oldest and probably world's largest glass and mirror combine, has voted to double present $9,000,000 capitalization. Principal purposes: to extend sheet glass manufacture and re-equip existing mirror works.

By Special Cable to
The Business Week

Italy—Permission has been granted Banca Commerciale for a $2,000,000 issue of Hungarian Communities 7½% loan. This is the first exception allowed by Mussolini to his stringent foreign loan prohibition.

By Special Cable to
The Business Week

Germany—Only incipient industrial improvement is evident. Unemployment now shows an increase of 100,000 over last year. Both Berlin and Hamburg Chambers of Commerce, however, issue more confident forecasts. The German-American agreement concluded to separate reparations, mixed claims, and occupation costs preserves priority of Dawes loan payments. German press is pleased: points out that the United States thereby is outside the otherwise united front of creditor countries assembling at The Hague. Ten-year renewal of the domestic steel cartel virtually assures prolongation of international co-operative agreements. The Standard Electric and AEG (German General Electric Company) have formed a $6,000,000 holding company uniting German telephone industries. Kuno denies rumored discussions of the merger of Hapag and North German Lloyd.

FAR EAST

U. S. Dept. of Commerce

India—Foreign trade is considerably better but a much heavier movement is normal at this season. Government may heed the complaint of Bombay mill owners concerning competition of imported piece goods by increasing duties. Twelve-month loan of £6,000,000 for railway construction over-subscribed in London by £2,500,000.

LATIN AMERICA

U. S. Dept. of Commerce

Argentina—Pessimism still prevails but the £5,000,000 loan obtained in London has strengthened exchange, and rainfall in maize-producing areas has improved outlook. The president of Aeropostal (French) announces that within six months hydroplanes will replace steamers carrying trans-Atlantic mails, cutting crossing time to four days.

U. S. Dept. of Commerce

Brazil—Acute depression due to falling prices and large stocks of coffee is harbinger of labor unrest. Manufacturing industries operating part-time with many factories closed.

What the Figures Show

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FIGURES OF THE WEEK

(Compiled with the co-operation of the Survey of Current Business)

PRODUCTION	*Latest Week*	*Preceding Week*	*Year Ago*
Steel Mill Operation (% capacity)	62	63	84
Building Contracts (F. W. Dodge, daily average in thousands)	‡	$10,373	$18,736
Bituminous Coal (daily average, 1,000 tons)	*1,859	†1,932	1,843
Petroleum (daily average, 1,000 bbls.)	2,608	2,634	2,581
TRADE			
Car Loadings (daily average, all classes, 1,000 cars)	140	154	150
Check Payments (outside N.Y. City, millions)	$ 5,115	$ 6,524	$ 5,437
Wheat Receipts (1,000 bushels)	4,829	7,010	7,837
Cotton Receipts (1,000 bales)	401	417	419
Cattle Receipts (1,000 head)	*112	†136	90
Hog Receipts (1,000 head)	*423	†688	507
Wool Receipts (1,000 lbs.)	3,561	2,890	2,055
PRICES (Average for the Week)			
Wheat (No. 2, hard winter, Kansas City, bu.)	$ 1.22	$ 1.18	$ 1.10
Cotton (middling, New York, lb.)	$ .173	$ .171	$ .206
Iron and Steel (composite, ton)	$35.95	$35.89	$36.25
Copper (electrolytic, lb.)	$ .178	$ .178	$ .158
All Commodities (Fisher's Index, 1926-100)	93.1	92.8	97.2
FINANCE			
Total Loans and Discounts, Federal Reserve member banks (millions)	$17,344	†$17,356	$16,284
Commercial Loans, Federal Reserve member banks (millions)	$ 9,413	†$9,458	$ 9,054
Brokers' Loans, New York Federal Reserve member banks (millions)	$ 3,424	$ 3,328	$ 5,330
Federal Reserve System Ratio	69.6	67.6	61.9
Stocks Sold (N. Y. Stock Exchange, 1,000 shares)	13,053	18,008	18,372
Stock Prices (N.Y. Times, average 50 stocks)	$198.60	$202.69	$224.79
Bonds Sold (N. Y. Stock Exchange, par value, thousands)	$40,644	$59,155	$35,733
Bond Prices (Dow, Jones, average 40 bonds)	$ 93.76	$ 93.89	$ 96.07
Interest Rates—Call Loans (daily average)	5.5%	†4.5%	10.0%
Interest Rates—Time Loans (daily average)	4¾-5%	†4¾-5%	7¾%
Business Failures (Dun, number)	396	498	359

‡ Not available * Preliminary † Revised

THE latest business indicators covering the Christmas holiday week show no marked departure from the usual trend. Industrial activity and general trade continued below last year's levels by about the same margin as in preceding weeks.

Steel ingot production is at the low point for the year because of the holiday shutdown. For the days on which mills were running the rate of production was almost the same as in the preceding week but considerably below last year's level. Railroad business continues fairly steady and structural steel demand remains at a high level. There is no marked sign of early increase in automotive steel demand, and little is expected pending the determination of the outlook for production early this year following the automobile shows. There is no weakening in steel or scrap prices. The next two weeks are expected to show a rise in steel mill activity, as is usual after the turn of the year.

Building projects appear to be holding up fairly well. According to *Engineering News-Record* figures, heavy engineering contract awards for the week ending January 2 were over $40,000,000 as compared with $18,737,000 in the week ending December 26. This compares favorably with the figure of $44,234,000 for the corresponding week last year.

The general price situation strengthened somewhat during the latest week. The cotton price average was slightly higher than during the preceding week but remains more than 3 cents below last year's level. Wheat prices rose, and the export movement improved. The iron and steel composite increased and copper remains steady.

The Fisher all-commodity index rose three points for the week but the National Fertilizer Association index showed a slight decline during the week ending December 21. The general stability of prices in face of slack business is an encouraging sign.

The general trade indicators showed further decline of about normal proportions for the week. Non-bulk carloadings are about as much below last year as they have been for the last five or six weeks. Agricultural marketings, except wool and cattle, are lower for the week and generally below last year's level at this time.

Commercial transactions as measured by check payments declined below the preceding week and are lower than last year. The figures for 131 cities, which afford the best measure of general trade,

declined about the usual amount during the week ended December 25 and are slightly more than 3% below last year's level. Commercial loans of Federal Reserve member banks fell slightly but are still nearly $400,000,000 above a year ago.

The Federal Reserve Board reports that the decrease in wholesale trade in November was somewhat more than usual for the season and fell about 3% below the preceding November. As compared with October there were decreases in all lines and in all districts. Department store sales, according to final figures, were nearly 1% larger than a year ago, but this increase makes no allowance for the fact that there were five Saturdays in November, 1929, as compared with four in November, 1928. For the country as a whole department store stocks were no higher in November this year than last.

In the New York district the Federal Reserve Bank reports department store sales during the first twenty-four days of December about 2% larger than in the corresponding period last year.

Money and the Market

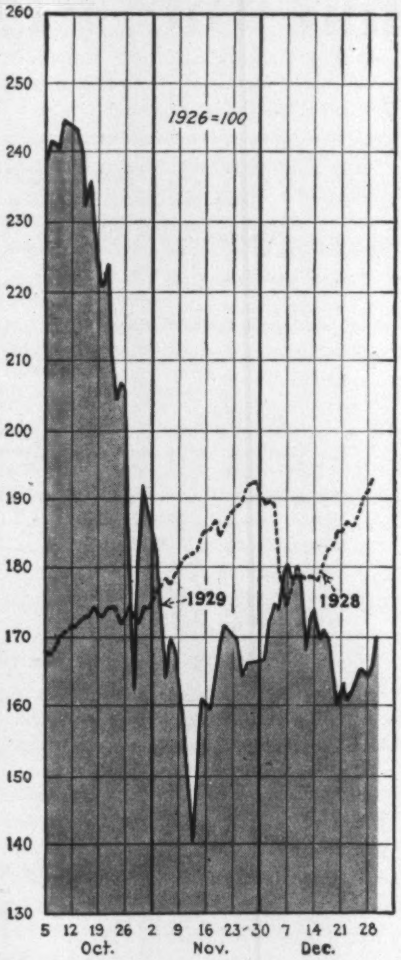
THE second week of holiday markets continued the apathy of the first. Prices fluctuated on a small volume of trading without showing any definite trend. Stocks, a month later, still hang about their December 1 levels and there is a general opinion that they will continue to do so for some weeks.

Call money held at 6% from year-end settlements. The rate for the past two weeks has been about that prevailing during the uncertain weeks of late October and early November. Tightening of the call rate was not significant. Acceptance rates were reduced by 1/8% following last week's increase. Rates on other classes of funds were unchanged.

New securities issued during December totaled $509,000,000 according to *Journal of Commerce* compilations. This exceeds November's output, but is far below the record-breaking totals of earlier months. The nature of financing changed radically during the month, with a trend toward bonds predominating. The proportion of municipal and state issues increased markedly, supporting a belief that much of this type of financing was held back for more favorable conditions.

THE MARKET DAY BY DAY

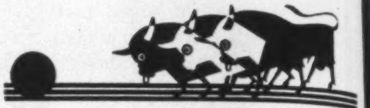
(Standard Statistics Company's Daily Stock Price Index)



Railroad earnings for November took the sizeable drop expected. The first 75 reporting roads showed a net of $80,633,000, a decrease of 22% from the same month of 1928. Gross revenues were off 7.8% from November, 1928. The continually receding total of freight cars loaded, and other indications, leave little doubt that railroad revenues for December will also show a considerable decrease from a year ago.

The outstanding foreign security market news came from Paris. The French parliament this week abolished or lowered several taxes which have oppressed the Bourse since the war. The stamp tax on sales of foreign securities was cut in half, reduction of the transfer tax on foreign issues was voted and the tax on operations in foreign exchange was abolished. The heavy tax on dividends and interest from foreign securities remains in force.

These anticipated moves mark a further development of the attempt to set up Paris as an international financial center



in line with the recent establishment of an acceptance bank. The path is a more difficult one than reports indicate the French anticipate, but if the move is successful, widespread benefits will be reaped.

Foreign exchange continued generally against the dollar, but not so much so as in recent weeks. Year-end settlements were a moderating influence. As a result, gold exports totaled $11,255,000 in the week as compared with much higher totals in recent weeks. Earmarked gold was increased $2,000,000; imports again were negligible. Easing of foreign exchange rates probably is only temporary.

Daily, instead of weekly, figures for gold movements were instituted by the New York Federal Reserve Bank this week.

Brokers' loans increased $96,000,000, the effect of year-end settlements again manifesting itself. New York banks bore the brunt of the movement, being called on for $322,000,000 as non-banking lenders called loans totaling $219,000,000. Borrowings at the Federal Reserve by New York City banks jumped to $106,000,000, more than double the amount of the preceding week.

Member bank discounts at the 12 Federal Reserve banks dropped $130,000,000 in the week. Post-holiday liquidation set in rapidly as Christmas was ago and volume of Reserve credit outstanding decreased $65,000,000. The volume of discounts is far below a year ago and volume of Reserve credit outstanding is more than $300,000,000 below last year. All in all, the seasonal demands on the Reserve system have been somewhat lower this year than last, but part of this is attributable to the fact that there is a larger gold stock now than a year ago.

The system continued to buy acceptances and government securities. Part of these increases are aimed to offset gold exports. Reserve note circulation dropped $80,000,000—another evidence of post-holiday liquidation. The net result was an increase in the ratio of the system to 69.6% from 67.6%.

With last week's figures revised, credit extended by member banks showed no change. Secured loans increased, and are higher than at any time except the panic period. Total member bank credit now is $678,000,000 higher than a year ago. Loans are $1,060,000,000 higher, with investments $382,000,000 less.

Stock Values Fall; Stockholders Rise

THE table below, computed by THE BUSINESS WEEK, shows what happened to the aggregate market value of various groups of stocks listed on the New York Stock Exchange between September 1, which was in general the high point for the year, and December 1, when prices were about midway between the high point of the rally from the bottom on November 13 and the present price level. Since December 1 it is probable that values have declined on the average from 3% to 5%. During these three months the aggregate value of stocks listed declined about 30%, or over $26,000,000,000. An estimate for all the exchanges in the country would probably run well in excess of $50,000,000,000.

It must be remembered that only a small fraction of the outstanding securities of any of the companies listed on the exchange is traded in at any particular time—probably on the average not more than 1%, although it is the value of this small fraction of floating stock changing hands that determines the market value of the whole. Even though the average percentage traded was as much as 5% during the decline and the traders involved took the whole loss in the depreciation, it would not seem possible that actual trading losses could be much in excess of $2,000,000,000 in transactions on the larger exchanges.

The figures by groups of securities show a great unevenness in the losses that might have been incurred by holders of various stocks. Among those which suffered more than the average loss the aviation stocks head the list with a drop of nearly 66% in value. The automobile and accessories securities, investment trusts and other financial corporations and the electrical equipment manufacturing stocks as well as amusement companies securities showed the largest losses. Smaller than average declines were shown by the food, land and realty, railroads and operating utility companies. The oil, paper and publishing, shipping and tobacco stocks showed relatively moderate declines. The one increase, that in the leather and shoe group, is probably explainable only by new security listings during this period.

Although no one knows what kind of securities holders took the loss there is ground for believing the decline in values resulted in wider distribution.

Between October and December the total number of stockholders of the American Telephone and Telegraph Company increased by 13,700. Those of the Cities Service Company, the price of which fell from 68 to 20, increased by over 93,000; General Motors, which also suffered a sharp decline in price, increased by almost the same amount; Pennsylvania Railroad stockholders increased by 45,000; United States Steel by 5,000; Standard Oil of New Jersey by 15,000; Commonwealth and Southern practically doubled the number of the stockholders, as did Woolworth; Studebaker stockholders increased by over 6,000; Columbia Gas and Electric by 7,000; and most surprising, Curtiss-Wright, one of the worst sufferers, had over 15,000 more stockholders in December than in October.

In these twelve corporations alone the number of stockholders increased by about 320,000, and amounted in December to over 1,700,000.

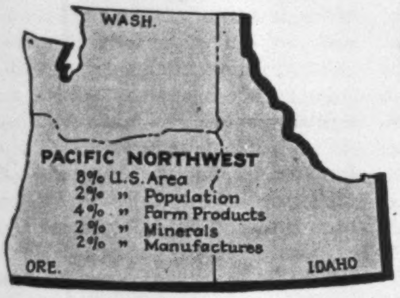
This tendency toward wider distribution of stockholdings appears to be a fairly regular thing during the first stage of major market decline, but is usually succeeded during the following year by an increased concentration of stockholdings. In fact it appears to be a fairly regular thing that from the beginning to the end of a bear market stocks pass from the strong to the weak and back to the strong holders. In 1907, for example, the number of U. S. Steel stockholders almost doubled during the year, but during the next two years it fell almost to half. Again in 1920 and 1921 the number of Steel common stockholders increased by over 20,000 but declined by about 16,000 in the next year and a half. The same is true of General Motors stockholders, which more than doubled in number during 1920 and 1921 but declined again the following year.

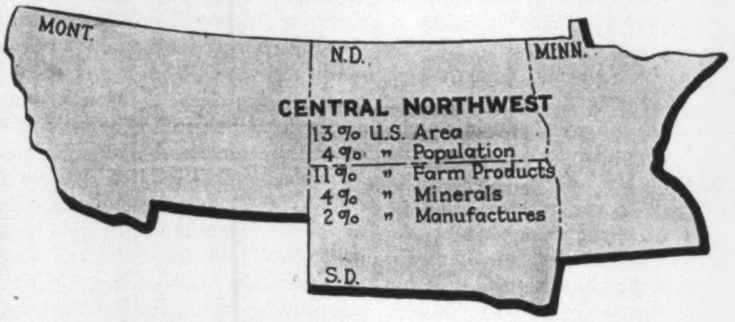
Just How Much Stock Prices Have Shrunk

(000 omitted)

Class of Stocks	*Market Value Dec. 1, 1929*	*Market Value Sept. 1, 1929*	*Decrease in Three Months*	*% Decrease*
Autos & Accessories	$ 3,400,896	$ 6,161,516	$ 2,760,620	—44.8
Financial	1,297,715	2,221,542	923,827	—41.6
Chemical	4,579,159	7,112,152	2,532,993	—35.6
Building	536,535	812,720	276,185	—33.9
Electrical Equipment Manufacturing	2,898,804	5,096,095	2,197,291	—43.1
Food	3,216,569	4,178,055	961,486	—23.0
Rubber and Tires	345,494	507,103	161,609	—31.9
Farm Machinery	615,996	927,580	311,584	—33.6
Amusements	545,539	925,608	380,069	—41.0
Land and Realty	142,882	185,842	42,960	—23.1
Machinery and Metals	2,086,133	3,021,430	935,297	—30.9
Mining (Excl. Iron)	2,167,075	3,079,545	912,470	—29.6
Petroleum	6,232,587	7,600,478	1,367,891	—18.0
Paper & Publications	715,923	804,925	89,002	—11.0
Retail Merchandise	3,475,878	5,192,227	1,716,349	—33.1
Railroads & Equipment	10,189,921	12,777,760	2,587,839	—20.2
Steel, Iron, Coke	3,150,235	4,403,470	1,253,235	—28.5
Textiles	235,956	356,738	120,782	—33.8
Gas & Electric (Oper)	3,833,426	4,796,365	962,939	—20.0
Gas & Elect. (Holding)	3,476,039	5,044,479	1,568,440	—31.1
Communications	3,755,027	5,314,784	1,559,757	—29.4
Miscellaneous Utilities	305,214	375,965	70,751	—18.8
Aviation	250,035	732,618	482,583	—65.8
Business and Office Equip.	535,736	867,810	332,074	—38.3
Shipping Services	78,200	87,080	8,880	—10.2
Ship Operation & Bldg.	70,080	84,774	14,694	—17.3
Miscellaneous Business	177,168	223,745	46,577	—20.8
Leather and Boots	331,175	146,775	184,400	+125.5
Tobacco	1,569,962	1,731,726	161,764	— 9.3
Garment Manufacturing	52,510	85,332	32,822	—38.4
U. S. Cos. Operating Abroad	1,873,009	2,861,476	988,467	—34.5
Foreign Companies	1,448,442	1,950,545	502,103	—25.7
TOTALS	$63,589,320	$89,668,260	$26,079,000	—29.0

A Plan to Promote Economic Balance


WASH.
PACIFIC NORTHWEST
8% U.S. Area
2% " Population
4% " Farm Products
2% " Minerals
2% " Manufactures
ORE.
IDAHO


MONT.
N.D.
MINN.
CENTRAL NORTHWEST
13% U.S. Area
4% " Population
11% " Farm Products
4% " Minerals
2% " Manufactures
S.D.

DYNAMIC in effect, dramatic in conception, the Hoover conferences with the leaders of American industry did much to dispel doubt, rebuild confidence, inspire emulation.

Public officials, railroad presidents, heads of great utilities, captains of industry pledged themselves to maintain wage and production schedules and carry on—even increase—construction. They made public announcement of their programs for 1930, and left the nation gasping at the titanic proportions of the work planned for the twelve-month.

But the captains and the kings depart, the tumult and the shouting dies—and now the natural reaction. A fine expression of leadership and inspiration, business men are saying, but will it result in steel erected and bricks laid? Will other business men be guided into cooperative effort with the leaders?

The heavy responsibility of following through has been laid upon the National Business Survey Conference under the chairmanship of Julius H. Barnes. It is getting promptly to work. Its first concrete suggestion is practical and thoroughly sound. The suggestion is that, during the next three to six months, business undertake the job of cleaning up, that it carry through modernization programs, that it repair, re-equip, rehabilitate its physical plant. All trade associations are called upon to push this program among their members. This they undoubtedly will do with energy and thoroughness just as they have done many good jobs in their industries in the past.

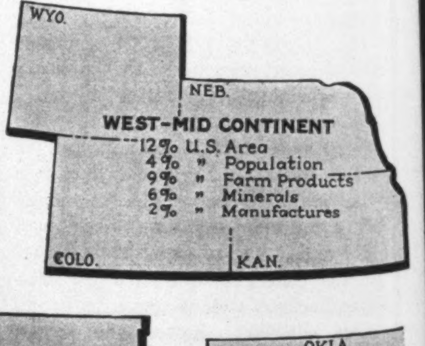
▼

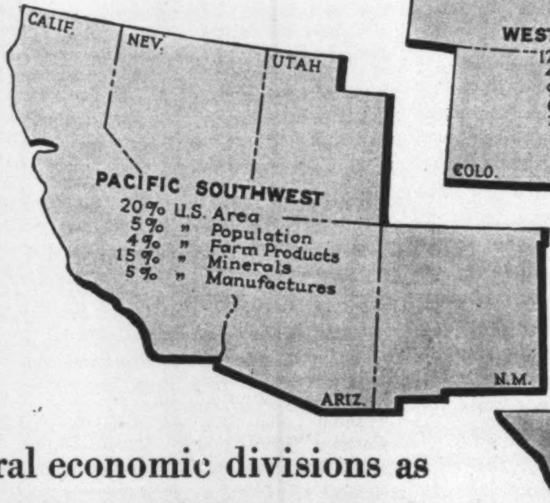
IT is no criticism of the National Business Survey Conference or of older commercial and industrial organizations, however, to say that there is a conspicuous hiatus in the organization of American business. We have an excellent United States Chamber of Commerce—a national organization. We have many local industrial and commercial bodies. We have the trade associations which are national but entirely vertical. The obvious gap is the lack of regional organizations.

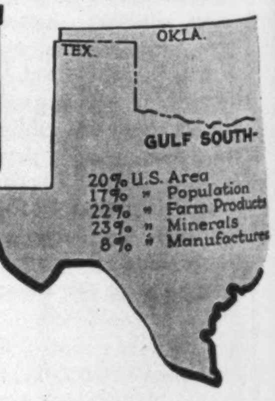
Yet many of the most important problems business has to solve can best be attacked by regional group action.

To THE BUSINESS WEEK it seems that one section of the United States is really ready to carry out the Hoover program quickly and efficiently. One region has a sound mechanism with an efficient train of gears at the top and bottom of its business structure.

New England has the means of seeing

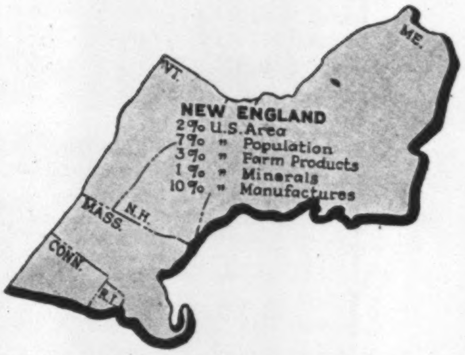

WYO.
NEB.
WEST-MID CONTINENT
12% U.S. Area
4% " Population
9% " Farm Products
6% " Minerals
2% " Manufactures
COLO.
KAN.

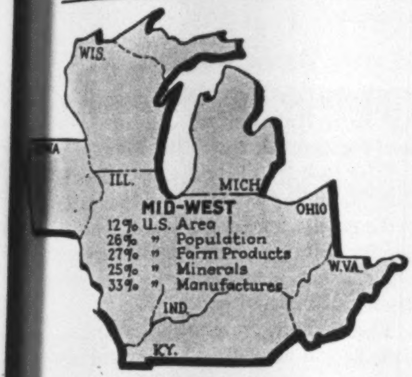

CALIF.
NEV.
UTAH
PACIFIC SOUTHWEST
20% U.S. Area
5% " Population
4% " Farm Products
15% " Minerals
5% " Manufactures
ARIZ.
N.M.

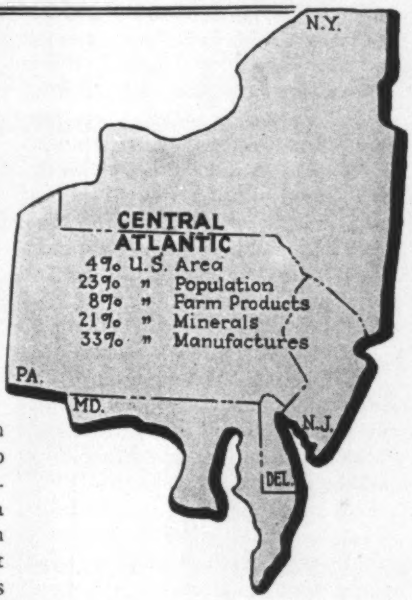

OKLA.
TEX.
GULF SOUTH-
20% U.S. Area
17% " Population
22% " Farm Products
23% " Minerals
8% " Manufactures

These maps show natural economic divisions as worked out by the Department of Commerce • Other data also are from the Department

Between national and local organizations the bridge of regional councils would work on problems common to a natural economic area


ME.
VT.
NEW ENGLAND
2% U.S. Area
7% " Population
3% " Farm Products
1% " Minerals
10% " Manufactures
N.H.
MASS.
CONN.
R.I.


WIS.
WA
ILL.
MICH.
OHIO
MID-WEST
12% U.S. Area
26% " Population
27% " Farm Products
25% " Minerals
33% " Manufactures
W.VA.
IND.
KY.


N.Y.
CENTRAL ATLANTIC
4% U.S. Area
23% " Population
8% " Farm Products
21% " Minerals
33% " Manufactures
PA.
MD.
N.J.
DEL.

to it quickly, positively, that a program originated by leaders shall reach down to the individual shop in the smallest village. New England is ready to act with a breadth that crosses city limits and even state lines, to accomplish things that benefit a natural economic area, things that cannot be done by one city or one state.

THE BUSINESS WEEK suggests that each natural economic division of the country would do well to organize, as promptly as possible, a council on the general model of the New England Council.

The present business situation, the urgent need of pushing the Hoover program through, serves to bring the need for such regional councils into sharp focus, but by no means should such organizations be regarded as temporary or emergency affairs.

Useful as they could be if functioning today, helpful as they can be in 1930 if organized promptly, their real justification will be their continuing work over the span of years.

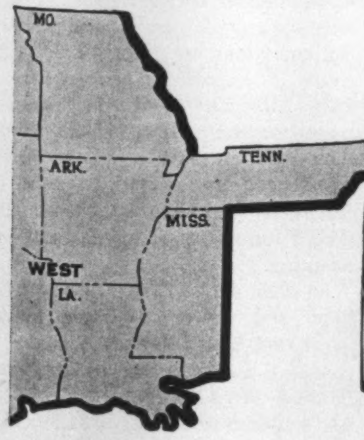
The reasons for organizing regional councils on the New England pattern—with such modification, naturally, as special conditions indicate—are these:

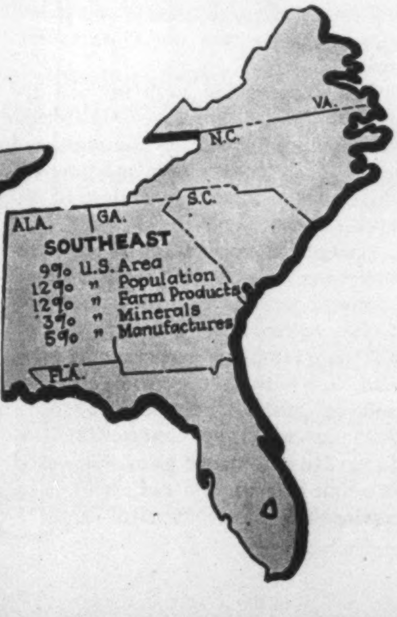
1. Business is economics, not politics; it groups itself by natural economic divisions, not by political boundaries. Obviously, therefore, business and industrial organization is most useful when it unifies natural trading and manufacturing areas.
2. There are in every major economic area of the country problems urgently crying for solution that can be solved only by group action of the entire area. No single state can cope (to give just one example) with the problem of power distribution.
3. There is, outside New England, no mechanism for solving regional problems, promoting regional welfare.
4. The regional council plan is not an experiment. It has been thoroughly tested over a spread of years in an area which had the most difficult problems to solve, and it has been unqualifiedly successful.
5. Exhaustive surveys bringing to light hitherto unsuspected factors both of weakness and of strength in the business set-up of the country have been made and are being made by the Department of Commerce.

No such detailed picture of business ever before has been available for the guidance of the business world. But the surveys, by inescapable logic, are made according to natural economic areas. To act upon the facts revealed in these surveys, organization necessarily must coincide in boundaries with them.

The department is a fact-finding agency. It cannot, for sound reasons of policy, suggest what ought to be done in the light of the facts it brings out. It feels keenly that much of its splendid work goes for little because there is no agency to make use of and apply the knowledge it develops.

6. The census this year will be the most


MO.
ARK.
TENN.
MISS.
WEST
LA.


VA.
N.C.
S.C.
ALA.
GA.
SOUTHEAST
9% U.S. Area
12% " Population
12% " Farm Products
3% " Minerals
5% " Manufactures
FLA.

useful to business that ever has been undertaken. It is going into questions of distribution and of manufacture, will develop facts of the utmost importance to the business world. Business should be prepared to utilize this knowledge to the full—but cannot unless it has regional organization.

WHAT are the problems which can best be attacked by regional cooperation? They differ, of course, for each region. A few types of activity, however, immediately suggest themselves.

1. There is the problem of utilization and conservation of natural resources. This can't be attacked by local organizations; it is seldom a problem concerning a single state.
2. Many agricultural problems are best handled by regions.
3. The problems of industry group themselves according to economic divisions rather than by political lines. Supply and distribution of raw materials, transportation—these things pay little attention to state boundaries.
4. Distribution of power is no longer local. Nor is it a state matter. A regional council could materially assist the utilities in the solution of their problems.
5. There is a great job to be done in coordinating the activities of all the local and state chambers of commerce, associations, service clubs, cooperative societies, and so on. There are many other regional jobs to be done. This is enough to indicate the need for such action.

The greatest achievement of the New England Council is not reducible to statistics. It cannot be shown in a graph. The greatest thing it has done is to put new spirit into New England. Where there was discouragement, almost despair, where there was no unity, where governors of the six states and the presidents of the railroads did not know one another—the council has created a spirit of unity, of hope, of confidence, of drive. It is hard to tell how much of the progress in New England in the last five years is due to this new spirit.

There are also tangible and measurable things which the council has accomplished. It has helped agriculture, fostered uniform laws governing utilities and many phases of commerce, wiped out restrictive sectional and local barriers to trade, advertised New England to the rest of the nation, both as a workshop and a playground, improved transportation. Its tangible achievements are an inspiring story, too great to be epitomized here in a paragraph.

The set-up is simple and elastic, easily modified to suit conditions in other regions. Governors of the six states are sponsors and active members. Each state is represented on every standing committee. The council meets quarterly, in each state in turn. An annual conference is the great event of New England's year. Financial support is voluntary—and increasingly easy to get as the value of the council is demonstrated in results from its efforts.

◆

GIVEN this outstanding example of successful sectional cooperation, it does not seem necessary to look further for the type of method and machinery that should be employed to give impetus to the greater, more rapid, more cohesive development of those several separate and distinct economic areas that constitute our national entity.

The federal government is unquestionably and unqualifiedly in accord with every economically sound effort at stabilization of our national prosperity. Cities and towns in the main are well organized to deal with the business and industrial problems of their respective communities.

These proposed new councils will provide the urgently needed bridge that will span the great gap between national and community effort.

Electricity In 1929

NOTABLE progress during 1929 in all branches of the 56-year-old electrical industry is reported in surveys completed this week by *Electrical World*. Important highlights:

Capital invested in major divisions of the industry is now $23,950,000,000; increase in 1929, $1,070,000,000. Light and power companies lead with capital of $11,100,000,000, followed by electrical manufacturers with $3,680,000,000, communications, $4,780,000,000 and railways, $5,500,000,000. Important is the problem of finding money for future expansion.

Only 9,000,000 horsepower of the total 40,000,000 in the 175,000 industrial plants of the country is non-electrical. Each wage-earner is now using 5 horsepower and is producing a value of product aggregating $7,500. This large use of power follows economic developments and installation of a national electrical power supply that makes power available in all localities at about the same cost.

Electrical manufacturers have standardized equipment and, by well organized research, have developed new designs and new equipment. There is a trend toward better trade practices, with and without governmental cooperation, and toward the establishment of a growing export business on a permanent basis.

The stock market crash stopped ill-advised mergers, speculative financing, public misconception of earnings; released funds for expansion and focussed attention on fundamentals instead of stock values.

Changes in unit values in the light and power industry 1912 to 1929 were: kilowatt-hours per customer, 3,000 to 3,800; revenue per customer, $79 to $87; kilowatt-hours generated per kilowatt, 1,790 to 2,700; investment per unit of generating capacity, $356 to $325; investment per customer, $597 to $458. These economic gains were made in a time of expansion and extension of service into lightly "loaded" areas.

Budget for 1930, $913,000,000, an increase of $60,000,000 over 1929.

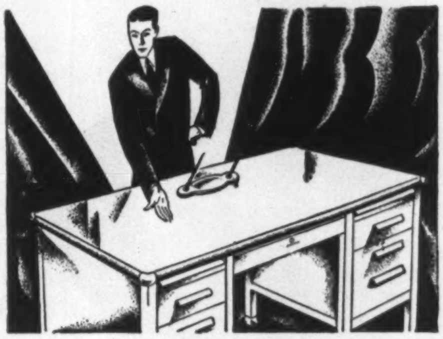
Only $145,000,000 was received from sales of securities to utility customers in 1929—the lowest figure since 1922. Reason: utilities slackened efforts to make customer sales and put more effort into the stock and bond market. But conditions are favorable to an increase in customer-ownership sales in 1930. Most capital structures are now shaped so that preferred stocks can and should be issued to raise new money. The general security market is not so receptive to stock issues. Customer sales should form a very tangible backlog in financing.

In 1929, the 24,224,000 customers of light and power companies caused 92,700,000,000 kilowatt-hours to be generated and paid the utilities a gross revenue of $2,107,000,000. Utilities sold securities amounting to $1,393,137,262 for new capital and refunding purposes and spent $866,000,000 of new capital on additional facilities.

BUY NO DESK

Until You've Seen the Sensation of The Business Show

Buy no desk until you have seen Skyscraper, the new desk by Shaw-Walker. You'll marvel at the downright cleverness of it. You'll revel in the rich beauty of it. You'll be amazed at the organized features of it. And you'll gladly pay the moderate price asked for it. Your people, too, will thank you for an easier and better day's work.



NO WONDER the Skyscraper Desk by Shaw-Walker was the sensation at the Business Show recently held in New York City.

Every desk-interested person who saw it, whether office worker, executive, official, or professional man, admired the way in which it solves old-time desk problems.

Many a sale was made right on the floor. The Skyscraper Desk makes friends at first sight.

It has a new kind of top—smooth and glove-like. No other desk can have it.

Every drawer is *organized* for the worker's special convenience. One drawer is your "waste basket." Another holds a special model, flat type 'phone. Others hold trays for "In," "Out" and "Pending" mail. Others, special card files, visible indexes, pencils, pads, accessories, etc.

Everything *organized.* A place for everything. Everything in place. The desk no longer a hide-and-seek catch-all.

Mail the attached coupon for complete information. Many new desk surprises await you.

SHAW-WALKER

Muskegon, Michigan

"Built Like a Skyscraper"

B.W. 1-8

Shaw-Walker Co., Muskegon, Michigan

Without obligating me in any way, please send complete information regarding the new Skyscraper Desk.

Name..

Business..

Address...

The World's Greatest Grain Operator

IN Minneapolis, his home city, they are approving the Farm Board's choice of William G. Kellogg to be the world's greatest grain operator—and they are going to miss him now that the new job has taken him away to Chicago.

From comparative obscurity he steps into the position of general manager of the Farmers National Grain Corporation, with the job of directing an orderly marketing program for the nation's wheat growers and giving them a profit on their crops.

That's a whale of a task for any man to tackle, and William G. Kellogg knows it.

Will he succeed? That is a question which cannot be answered yet, but after a talk with him one comes away convinced that every bit of Kellogg's twenty-five years of grain experience, every bit of the industry and intelligence which brought him from office boy to broker in little more than five years, will be applied to his new job every minute he is in it.

Meeting him for the first time, one is surprised at the youthful appearance of the man who is to buy and sell grain with almost unlimited government funds at his command. Tall, broad shouldered, built like a college athlete, thick black hair brushed with meticulous neatness, eyes keen and penetrating, dress conservative, he gives an impression of quiet alertness and decisiveness.

He hasn't the habitual expansive smile and glad handshake which characterize so many men in public and semi-public positions; is rather reserved in manner. He answers questions quickly and briefly, making a "yes" or "no" serve wherever possible. He wastes neither time nor words.

It was twenty-five years ago that Mr. Kellogg, just out of high school in his native city of Milwaukee, entered the grain business. He landed a job as office boy in the old Milwaukee grain firm of Fagg and Taylor. At the time he was 17 years old—which makes him 42 today.

Keystone View

Young Kellogg did not remain an office boy long. The grain business came easily to him. Soon he was taking on more and more responsibilities in the office. After a while, he was superintendent of elevators. In a little more than five years from the time he started, he became partner in the grain firm of Stacks and Kellogg in Milwaukee. He was still in his early twenties.

That experience continued until eleven years ago, when Mr. Kellogg went to Minneapolis to become Northwest manager for the Armour Grain Company, then just forming. Two-and-a-half years ago, the Armour interests sold their Minneapolis elevators to Archer-Daniels-Midland Company, one of the largest linseed oil crushers in the United States.

Up to that time, Archer-Daniels-Midland did no general grain business. Mr. Kellogg convinced the company it was overlooking a profitable field of activity, and he was hired to organize and manage a terminal elevator grain department. That was his position when he received the Farmers National Grain Corporation appointment.

Mr. Kellogg, even in Minneapolis, has never been before the public. For one thing, he had no particular desire to be, and for another he was too absorbed in his work. It is in character that he took up golf and liked it, but quit the game because he found it absorbed too much of his time.

"I don't believe the public is interested in me," Mr. Kellogg said to a representative of THE BUSINESS WEEK. "It will be interested only in the results I obtain."

That is typical of the man. He himself is interested chiefly in results. Throughout his conversations he sticks seriously to the matter in hand. He laughs but seldom, yet is pleasant. He is always business-like, but always courteous.

Because of his position as manager of a department of a business not primarily interested in the grain trade, Mr. Kellogg can come to his new position without the bitterness or prejudice which is felt toward the Farm Board's activities by many members of grain commission firms and elevator companies. His attitude toward the Farm Board's problems is shown by a 50-word statement he prepared for publication, and which he has consistently declined to elaborate. It says:

"Before accepting the management of the Farmers National Grain Corporation, I considered carefully everything in connection therewith, and my acceptance of the position indicates my belief that the plan as outlined is practical and will result in great benefits to the agricultural interests of the country. My every effort will be to that end."

Mr. Kellogg is married and has a son and a daughter in school. He and his family moved to Chicago, his new headquarters, shortly after January 1.

William Kellogg of Minneapolis will market the nation's wheat

Better than average investment results through management

THE purposes of the general management investment companies of the American Founders group are to invest the combined funds of many individuals with safety, and to obtain the maximum income commensurate therewith.

Having no interests beyond the secure and profitable employment of funds, the companies bring organized experience and dispassionate judgment to bear directly on these objectives. The history of the group ever since 1921 shows that better than average earnings can be achieved without the sacrifice of safety, by constant skilled attention to investment values and opportunities.

An extensive economics and statistical organization has been built up by American Founders Corporation for the administration of its own investment portfolio and those of the four subsidiaries. A force of specialists and analysts is equipped for the continuous observation of many investment fields, domestic and foreign. Proper management means not only the careful selection of investments, but the supervision of all holdings, so that when conditions warrant the funds may be shifted by the directors to the best advantage.

Consolidated resources exceeding $200,000,000 permit favorable diversification and advantageous purchase of selected bonds and stocks.

A copy of the annual report of American Founders Corporation for the fiscal year ended November 30, 1929, may be obtained by addressing Founders General Corporation, 50 Pine Street, New York City.

DECORATIONS BY ROCKWELL KENT • CUT IN WOOD BY J. J. LANKES

THE AMERICAN FOUNDERS GROUP

Including

AMERICAN FOUNDERS CORPORATION

General Management Investment Companies

INTERNATIONAL SECURITIES CORPORATION OF AMERICA

SECOND INTERNATIONAL SECURITIES CORPORATION

UNITED STATES & BRITISH INTERNATIONAL COMPANY, LTD.

AMERICAN & GENERAL SECURITIES CORPORATION

◀ *Sharing the Prosperity of Many Companies, Many Industries, Many Countries* ▶

That Better Fruits and Vegetables may be grown Profitably

NICOTINE SULPHATE and other nicotine and tobacco derivatives are invaluable in both agriculture and animal husbandry.

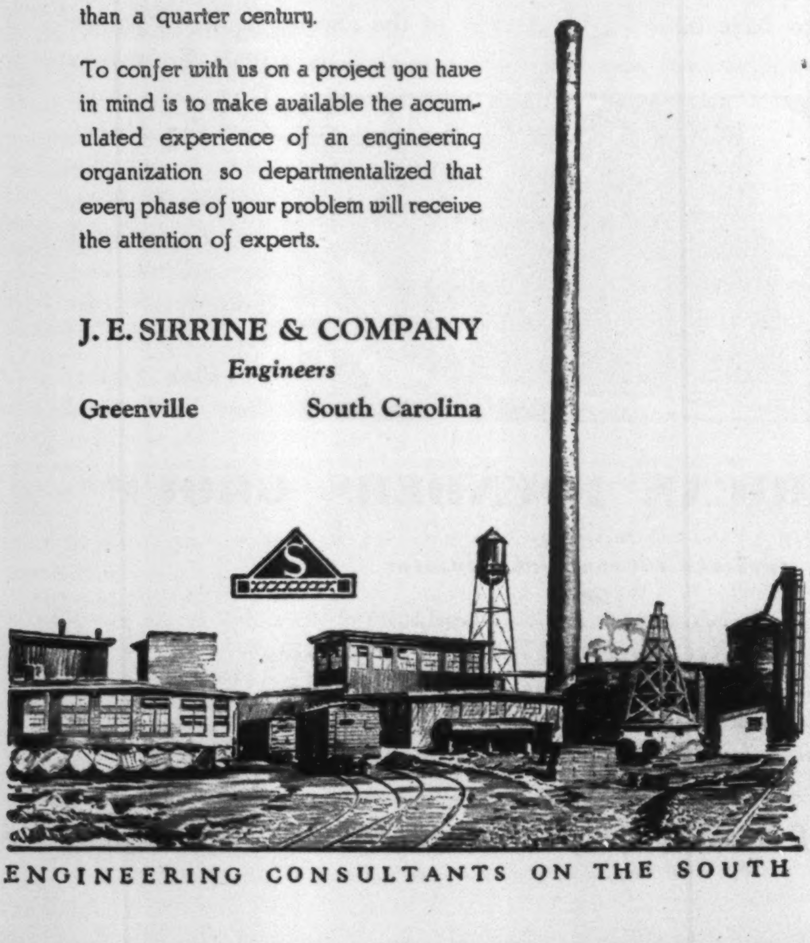
The building layout and special equipment of the Tobacco By-Products & Chemical Corporation at Louisville, Ky., afford an excellent illustration of a modern chemical process plant designed and built to meet specific process requirements.

This compact, modern and efficient plant was designed by us through the co-ordinated work of seven departments and then erected under our supervision.

It is but one illustration of the varied character of the industrial engineering problems we have handled in more than a quarter century.

To confer with us on a project you have in mind is to make available the accumulated experience of an engineering organization so departmentalized that every phase of your problem will receive the attention of experts.

J. E. SIRRINE & COMPANY
Engineers
Greenville South Carolina



ENGINEERING CONSULTANTS ON THE SOUTH

Red-Tape Cutter Pushes Building

THE man who with watchful eye directs the program of public works which is a rapidly developing part of President Hoover's prosperity program—Dr. John Matthew Gries—is a college professor who has never had a commercial connection with any phase of building. Yet he possesses the practicality and the driving ability of the most successful of contractors; and as one of Mr. Hoover's principal lieutenants has exercised a tremendous influence on the industry throughout the post-war period of reconstruction. For seven years he was head of the housing agency of the Department of Commerce; now he heads a special division of the same department, created at the request of the President.

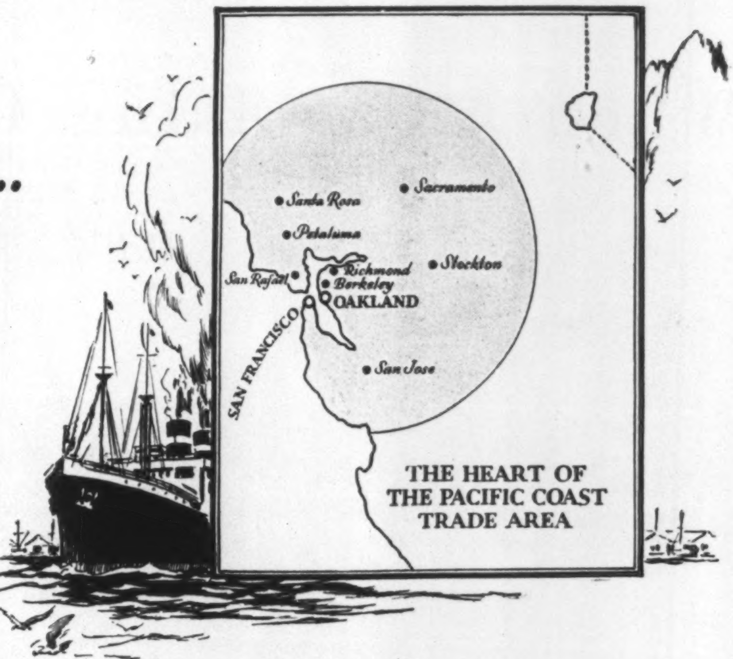
Dr. Gries' job is red-tape cutting. Before the recent series of conferences at the White House had ended, he was operating the machinery of the Commerce Department and obtaining precise data on all construction projects, actual and prospective, in every state, county, and municipality. These facts he fitted into the picture of federal enterprises, and then proceeded to demolish red tape and get things done. If a state, county or municipal agency is concentrating its work at one point and absorbing unemployment, Dr. Gries holds up federal projects scheduled for that area. But if at another point no state or municipal project is under way, but there are plans for new federal work, Dr. Gries slashes the red tape and starts things moving. If obstacles are stubborn, he notifies the President, and officials who delay the work fall immediately under the displeasure of the White House.

Practically all of Dr. Gries' work is done behind the scenes, and only those who really know what is going on ever hear of it. He works hard, putting in long hours at his office, with the result that his hair is gray and his health has suffered. Nevertheless, he can still hit a golf ball a mighty wallop, and he will climb the highest mountain if he knows he'll find trout there. His ambition is to eliminate waste, especially in city planning. He believes that proper zoning regulations would prevent the loss of great sums every year through the abandonment of residences because of the deterioration of the neighborhood.

He is an officer of Better Homes in America, and a member of the Committee of One Hundred in the Federal City.

Here lies
a great market...
the gateway to the Orient

here is where
industries are
locating
to serve South American
Markets


Santa Rosa
Sacramento
Petaluma
San Rafael
Richmond
Berkeley
OAKLAND
Stockton
SAN FRANCISCO
San Jose
THE HEART OF
THE PACIFIC COAST
TRADE AREA

Natural Gas now available for industries in San Francisco Bay area ....*a new and cheaper fuel*

Here the railroads of the country meet the ships of the Pacific. Good roads aid in quick deliveries; an abundance of cheap electric power reduces production costs; plant investments are low; production is increased through efficient labor and suitable climatic conditions. Here is where industries are locating to serve the ever-growing western markets.

THE SAN FRANCISCO METROPOLITAN BAY AREA" now offers a further inducement for industrial development, for the Pacific Gas and Electric Company has an abundance of natural gas at attractive low rates. This Company will place industrial engineers at your disposal. Facts applied to your specific plant will be presented promptly and confidentially to your executives.

Send for a copy of
"Outstanding Features of the P. G. and E."

PACIFIC GAS AND ELECTRIC COMPANY

P·G·and E·

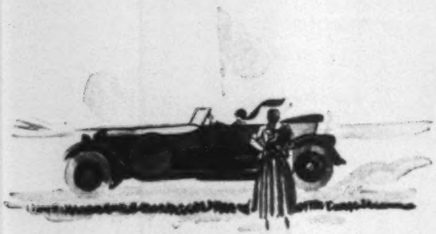
Serving 349 Communities in Northern and Central California

General Offices, 245 Market Street
San Francisco, California

Ind. No. 2

When writing to PACIFIC GAS AND ELECTRIC CO. *please mention The Business Week*

When Advertising Goes Abroad It Must "Go Native"



AMERICAN advertising executives, American advertising agencies will face in 1930 a momentous test. American manufacturers are going into foreign trade as never before—to tauten the slack in foreign demand, to build permanent world markets. And they are going to ask American advertising to duplicate for them abroad the tremendous success it has made at home.

For a few the job has already been done; for some, it has been attempted and bungled. Foreign advertising media can show examples of American advertising that has been conspicuously successful. They can show other things, too.

An American concern whose slogan is "Milk From Contented Cows" astonished South America not long ago with the announcement in Spanish of "Milk From Laughing Cows."

A pretty bareheaded girl in low-necked chiffon whirling along alone at the wheel of a snappy sportcar, with the headline "Now Is The Time When Everybody Goes To The Country"—what more appropriate for the June advertisement of a facial cream? Yet that advertisement in Buenos Aires created only derision. Why? Because June is midwinter in the Argentine and, anyway, nice girls don't go out driving alone in open cars in Latin America.

Hardly less derision greeted the recent advertisement of an American motor car in the July issue of a Havana magazine picturing a roadster full of happy young collegians in coonskin coats parked in front of a Dutch colonial cottage. Fur coats are about as common in Havana as silk negligées in Spitzbergen.

These are typical of the many strange advertisements of American products one may find in print in the four quarters of the globe, betraying amazing ignorance of language, climate, social customs and national temper.

Blunders in language are often the product of a foreign copy writer or artist whose knowledge of English is sketchy: he may also be ignorant of subtle turns in his own tongue, of important social customs and prejudices in his own country.

An American cigarette manufacturer, seeking a market in China, wanted a package of special appeal to Chinamen. A young Chinese artist designed for him a package with a picture of the gate of the Temple of Heaven. But it happened that the student was from Harbin. He knew little of Chinese traditions. He did not know that the Temple of Heaven was taboo for advertising purposes. It was some time before the American found out why his cigarettes did not move in China. A sharper offense was committed by an American company which in an advertisement in Japan showed a picture of a girl in a kimono folded only as the garment is arranged for the burial of the dead.

American manufacturers betray a naïve belief in the universality of the English language. English is spreading, true enough, but not so fast as the advertisements of American products in foreign publications would indicate. Often when the body of the copy is in the language of the country, the headline and slogan remain in English, the explanation being, no doubt, in many cases, that the advertising agent sends stock cuts used in English-speaking countries.

Queer things happen in advertising and selling American wares in foreign countries. A rubber goods manufacturer sent out to China as samples some miniature hot-water bags, four inches long. Some time later came an order for a shipment of bags, not full-sized bags, buy tiny ones, just like the samples. "We do not manufacture that size," the company cabled back, "those are samples." "That's the size we want," was the answer. So the bags were made and shipped. Believe it or not, the sampan girls who come out to meet the foreign steamers had found these tiny hot-water bags held against the cheek made an excellent substitute for rouge!

A manufacturer of rubber bathing caps found an unexpected market in a part of Mexico where there are no bathing beaches. The caps were being used

ADVERTISING
ADVERTISING

to protect the hair against wind-blown sand. A maker of pharmaceutical goods discovered that he had sold $50,000 worth in the past year to Curaçao, a small duty-free island under Dutch control off the coast of Venezuela, and he was putting down an appropriation of $5,000 for advertising in Curaçao for the coming year, on the basis of 10% for last year's business. "Hold on," said an advertising agent who knew something of South America, "are you sure you sold that much goods in Curaçao?" The manufacturer investigated. He found that all the goods shipped to Curaçao had been smuggled into Venezuela! His advertising belonged in the Spanish papers of Venezuela (pop. 3,000,000), not in the Dutch papers of Curaçao (pop. 30,000).

Over against the errors of American advertising in foreign countries we must set its many successes. The advertising of the great American oil companies abroad is notably accurate, dignified and suited to the locale. General Motors Export Co. directs its advertising from New York, but the regional offices in each country have full power to adapt illustration and copy tone to national requirements. The advertising manager of the Black & Decker Manufacturing Company finds it necessary to have his advertising in foreign countries prepared and handled there. For instance, to get advertising genuinely German in tone, his copy must be created by German copywriters, artists and typographers.

ADVERTISING
ADVERTISING

The "Follow-Through" in Security Underwriting

Our interest in a security which we have underwritten and distributed does not cease when its sale has been completed and the issue has passed into the hands of individual investors. As a matter of course, we accept the responsibility of "following through" —keeping interest alive in the issue so that the market will continue on a firm basis. To this end we continue indefinitely to direct the attention of investors to securities underwritten by us, to renew our recommendations, and to support the market otherwise in every proper manner. This service we regard as something fairly due to the investor who holds the security and to the corporation whose good name is linked with the market for its securities.

Booklet entitled "Sound Corporate Financing," which sketches the service we have rendered a number of well known American Corporations, will be sent upon request.

Sound Securities for Investment

A. G. Becker & Co.

54 Pine Street, New York
100 South La Salle Street, Chicago

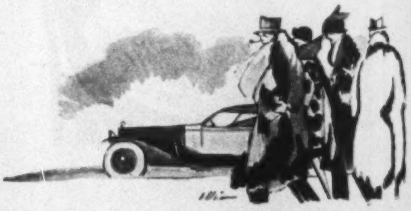
American manufacturers are finding that there are a few advertising agencies whose study of foreign temperament, tradition and buying habit makes them competent to prepare and place effective advertising.

Such an agent will save a manufacturer from the errors of talking in Spanish to Haitians, or Brazilians, of addressing Canadians as if they were citizens of the United States. He uses a maximum of illustration and a minimum of text in countries of low literacy, such as Guatemala and China. He will vary his Chinese for each province of China, since, as the editor of *Advertising Abroad* says, "an advertising phrase or a brand name that is quite suitable and effective in Harbin or Pekin may be a vulgar joke in Canton."

He will know where certain colors are advantageous and where they are perilous. He can puncture extravagant circulation claims of foreign publications. Sent down to Mexico to look into that matter and others, a representative of a New York agency bribed the press-room boss of a certain daily to let him watch the presses. At the cost of a cigar, he learned that the morning edition was 60,000, not 160,000, as claimed. In Colombia this agency—baffled in efforts to fix real newspaper circulation figures—got the low-down by ascertaining the newsprint bought by each paper.

Such an agent will know how to meet and combat local prejudices. In Chile an American advertising agency found a public prejudiced against all babies' foods by extravagant and unsupported claims made for them. He beat the prejudice for his own babies' food account by doing something that had never been done before in Latin America—starting a simple educational campaign on the causes of high infant mortality and the ways to combat it.

American motor cars banishing the camel-trains from the roads of Anatolia and Morocco, American tractors in Bulgaria, American jazz on American phonographs making the night raucous in the souks of Cairo, American typewriters in Pekin and American silk stockings in Damascus—yes, our advertising and salesmanship are winning the world, but a little study would make the process less painful, more profitable.



The Aeronautic Industry in 1930

The boom hysteria over, future progress seems assured • Next year may see fewer sales but better market development • Sound concerns will benefit by the long-expected house-cleaning • The public has still to be sold on flying—and buying • The industry has now set about doing the job as it should be done • The possibilities are tremendous

THE present state of the American aeronautic industry is alarming some of its friends. But "things are not what they seem." Today's loss is tomorrow's gain. The industry is today undergoing its long-predicted, much-needed house-cleaning and the results are certain to be beneficial to the future of American aviation.

The industry's thinking men have realized that the slump was inevitable and bound to come soon. The majority continued to make hay while the sun was shining and it caught them at the peak. Today, they are beating a hasty retreat to a point at which they can afford to stop, about-face, take stock and march forward again—this time under the guidance of sound business principles based on hard experience.

But only the worthwhile will be able to stop. Those who joined the aviation parade just because it was a parade, and have been a serious detriment to the cause ever since, will be forced to keep on retreating right out of the picture.

THE slump in aeronautics had a six-month start on the Wall Street affair. There were signs of what was coming as far back as the late fall of 1928. Aeronautics stocks have been dropping steadily since last June. The Wall Street crash slammed them down to rock bottom or off the board entirely.

The stock market débâcle will cost the industry many sales of private planes, some sales of commercial planes. There may be fewer replacements. People who had become air-minded in recent months have become purse-minded since October. Then, too, since so many aeronautic investors had their fingers burned, there is going to be less money available for expansion for awhile. This may be hard on the sound organizations but the fact that it is going to be harder on the fly-by-night enterprises makes it easier to bear.

THE major trouble with the industry today is its proximity to the sales saturation point of its present market. New markets must be developed in the near future.

Lindbergh's flight to Paris upset the world's sanity about aviation. Front-page stories of airplane accomplishments raised public interest to a fever heat. Over-night a struggling enterprise became a thriving industry—so it seemed. Plane sales jumped sky-high. Manufacturers toiled day and night to enlarge their plants. All kinds of money became available and hundreds of new firms hung out their shingles. Unexpected prosperity left the aeronautic industry delirious. And then—

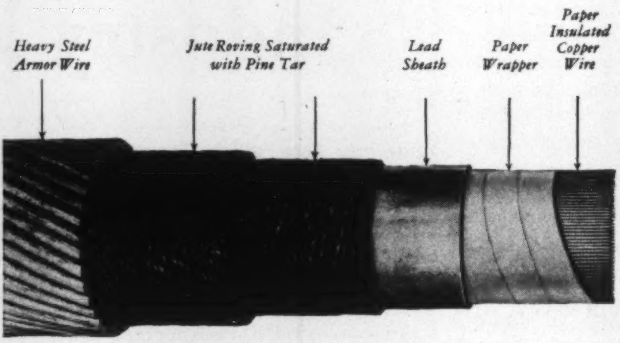
And then, late in the spring of this year sales began to dive. Manufacturers who had been boosting capacity suddenly discovered that their planes stayed on their hands. A few awoke to the fact that the industry had been busy selling planes to itself. The supposed public market did not exist. The man-in-the-street was intensely interested in aeronautics—he waxed enthusiastic about it—but he did not buy an airplane. Over 75% of the commercial and private planes in operation today are owned by people who were well acquainted with the mysteries of aviation long before Lindbergh took off from Roosevelt Field and have been deriving their bread and butter from the aeronautic industry ever since.

THE creation and profitable development of a broad public market is the big job ahead for the industry. John Jones and John Jones, Inc., are not air-minded, even to the point of using an airplane as a means of commercial transportation, let alone buying one. The number of people who have purchased planes for private or business use is infinitesimal compared with the number in the potential market. And the number of empty seats in transport planes is keeping operators awake o' nights.

The general public still fears the airplane—and naturally so. The thrilling stunt flight and the crashes are news, but the every-day routine of the airline is not. So Mr. Jones' newspaper tells him only of the dangerous side of flying—and he cannot be blamed for thinking of all flying as dangerous. Rather are the members of the aeronautic industry to be blamed for their failure to impress Mr. Jones with the difference between safe and unsafe flying.

Realizing at last that the public cannot be bulldozed or shamed into flying, they are now engaged in an aggressive campaign of public education. The results can be safely predicted. The public will come to regard the most modern means of transportation as an essential utility, safe and economical. And that will spell progress and profits for those in the aeronautic industry who survive the present house-cleaning.

Protection for Submarine Telephone Cable


Heavy Steel Armor Wire
Jute Roving Saturated with Pine Tar
Lead Sheath
Paper Wrapper
Paper Insulated Copper Wire

An example of the care with which Western Electric Telephone Apparatus is made ≻ ≻

You use submarine telephone cable oftener than you realize. For it is through this cable that the voice travels under many rivers, bays and other bodies of water.

In this service, cable must meet conditions which are more severe than those encountered by either underground or overhead cable lines. To withstand crushing pressure, corrosion, abrasion and to keep out water—which would interrupt your conversation—the wires in the cable are encased in six separate layers of protective material. But still more important is the *invisible* armor—the experience and careful workmanship which are built into all Western Electric apparatus.

The greatest pains are taken in producing even the tiny switchboard lamp which flashes your signal to the operator—the sensitive carbon button in the transmitter of your telephone—the many thousands of intricate parts which this Company makes as its share in good telephone service.

Western Electric

MAKERS OF YOUR TELEPHONE

Whole Industries Thrive on Soy Beans

And guarantee prices to encourage American farmers to grow them

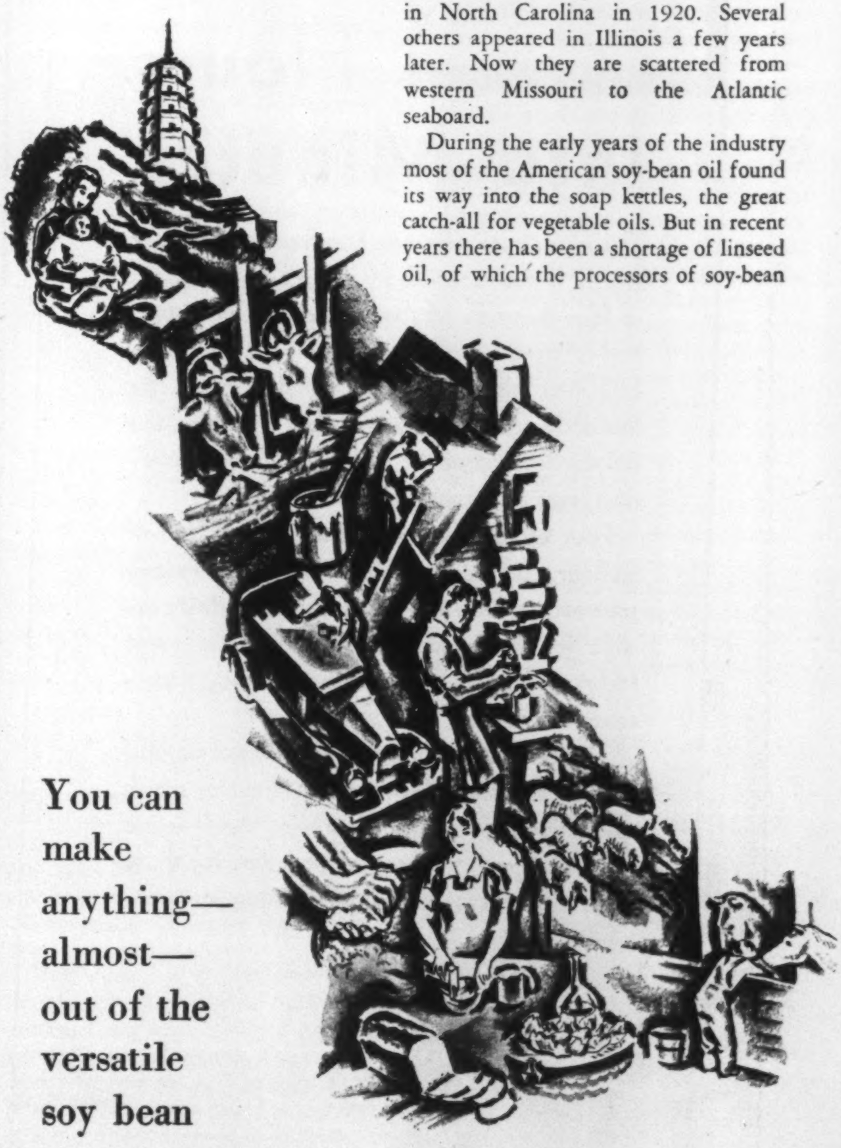
THE city-bred American is vaguely familiar with the soy-bean as the source of a pungent sauce commonly poured upon chop suey and other dishes which masquerade as Chinese food, but the American farmer is rapidly beginning to recognize it as the basis of a new and important branch of agriculture.

Commercial outlets having been developed since the World War, the soy-bean is now a major crop in Illinois, North Carolina, Missouri, Indiana, Ohio, and Kentucky, a minor crop in several other states. These are commercial acreages. For farm purposes exclusively the soy-bean is cultivated throughout the eastern half of the United States, with varieties suited to different conditions of soil and season.

The soy-bean has been an Oriental food staple for something like five thousand years, and has been grown in the United States, though principally as a curiosity, since 1804. But it was not until about 1910 that farmers began to learn that soy-bean hay was about equal to alfalfa for feeding purposes, that soy-beans grown in corn improved the silage, that, being a legume, the soy-bean increased soil fertility by fixing nitrogen from the air. As the market developed, the bean itself became more important than the hay. Soy-bean oil is extensively used in the paint, enamel, and varnish industries; soy-beans are used in tremendous quantities in glue factories; they are in demand for salad oil and other edibles, in the manufacture of dairy feed, in the preparation of a special bread for diabetics. And chemists say that only the surface of soy-bean possibility has been scratched.

THE most valuable by-product of the soy-bean is the oil, of which about a gallon can be recovered from a bushel of beans. This oil is similar to linseed, cotton, cocoanut, peanut, and a host of other vegetable oils. The first plant for the extraction of soy-bean oil was erected in North Carolina in 1920. Several others appeared in Illinois a few years later. Now they are scattered from western Missouri to the Atlantic seaboard.

During the early years of the industry most of the American soy-bean oil found its way into the soap kettles, the great catch-all for vegetable oils. But in recent years there has been a shortage of linseed oil, of which the processors of soy-bean

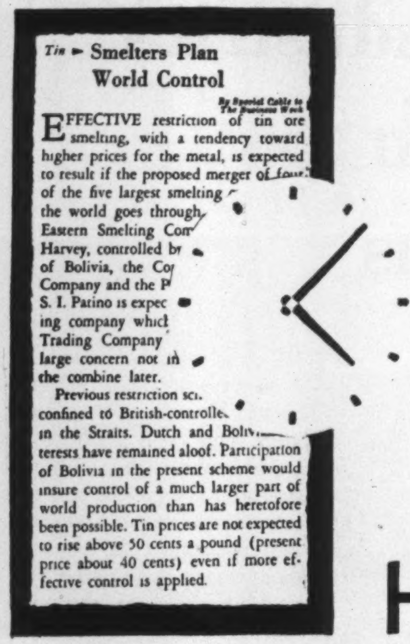


You can make anything—almost—out of the versatile soy bean oil have taken full advantage. Linseed, having no complete substitute, is the most valuable of the vegetable oils, and is almost indispensable in the manufacture of paints. But manufacturers found that soy-bean oil could replace up to 15% or 20% of the linseed content of paint. This discovery has tremendously stimulated the soy-bean industry. It has also affected the price. Recently soy-bean oil was quoted at 10¢ a pound, linseed at 14¢, and cocoanut oil at 7¢.

Manufacturers of certain kinds of paint learned that not only did soy-bean oil serve as an acceptable substitute for linseed oil, but that the addition of about 15% of soy-bean oil greatly improved their product. This was especially true of high-finish paint, such as is used for automobile tops. The desired finish cannot be obtained without paint and varnish containing soy-bean oil. The greater part of the soy-bean oil continues to go to the paint maker, but considerable is also used for salad dressings, and in the production of "olive oil." To some extent it has appeared in cooking compounds to replace butter and lard, but more in Germany and the Orient.

EASTERN dairymen whose herds average high in milk production discovered the soy-bean in their search for feeds of high protein content. Extraction of the oil from soy-beans leaves a meal averaging more than 40% protein. And it appears to be even more valuable for dairy feeding than this high analysis would indicate. Nutrition experts believe that the soy-bean protein is closely related to the milk protein; therefore, is readily absorbed and used by the cow. This is confirmed, at least in part, by the fact that in Manchuria the common food for babies and invalids is a gruel made from soy-beans. At any rate, soy-bean meal is in high standing as a dairy feed, and the dairy industry is ready to use several times as much meal as is now being produced.

The growth of the soy-bean industry has been accomplished by close cooperation of the farmer-producer and the industrial user. Early in 1928, when farmers were discouraged by a winter freeze which killed a large part of the Illinois wheat acreage, and when users of soy-beans wanted a substantial increase in soy-bean acreage, a plan was worked out whereby the manufacturers guaranteed a price of $1.35 a bushel for No. 2 soy-beans delivered at Peoria. In consequence the acreage was more than doubled, and the market easily absorbed the entire crop. In 1929 the guarantee was renewed and the acreage again increased.



Tin ► Smelters Plan
World Control

By Special Cable to
The Business Week

EFFECTIVE restriction of tin ore
smelting, with a tendency toward
higher prices for the metal, is expected
to result if the proposed merger of four
of the five largest smelting
the world goes through.
Eastern Smelting Com
Harvey, controlled by
of Bolivia, the Co
Company and the P
S. I. Patino is expec
ing company which
Trading Company
large concern not in
the combine later.
Previous restriction sc
confined to British-controlle
in the Straits. Dutch and Boliv
terests have remained aloof. Participation
of Bolivia in the present scheme would
insure control of a much larger part of
world production than has heretofore
been possible. Tin prices are not expected
to rise above 50 cents a pound (present
price about 40 cents) even if more ef-
fective control is applied.

Hours into Minutes

This news item runs one hundred twenty-four words. It was received by cable on a Thursday, at four-thirty P. M., was checked, rewritten, and referred for interpretation to the McGraw-Hill man who knows the metal markets. By five o'clock the completed story, including the full significance of the news to American business, was on its way to press.

Four editors, working at top speed for half an hour, countless compositors, proof-readers, pressmen, mailers and delivery men, made it possible for the reader to get the facts some forty-odd hours later. Reading time, thirty-seven seconds.

This minor item illustrates an editorial method which compresses hours into minutes, which saves reading time for busy men. And—more important—which saves waiting time for those who need the news and its meaning.

A War to End Price Wars

Battlers for Capper-Kelly bill say resale price maintenance by manufacturers would stop cut-throat competition of retailers—Opponents say it would stifle all competition

A DETERMINED effort is being made to pass a resale price maintenance act through this session of Congress or, at least, to get the ground prepared for the next session. Senator Arthur Capper from Kansas and Representative Clyde Kelly from Pennsylvania have introduced identical bills, on which the drive will center. The resale price maintenance which they would legalize would give the manufacturer the right to set the retail price of products carrying his name and brand; would prohibit the retailer from selling below that price—though not from selling above it.

"Fair competition between manufacturers is a good thing and will inevitably result in fair prices to the public," writes one prominent supporter of the bill. Opponents answer, "True, but how can competition act in that way if the free play of competitive price-making is restricted?"

The proponents have the weight of legal precedent against them. The entire structure of American business law has been built on the proposition that any act which restricts free competition must be prohibited for the good of society. On that basis all the force of federal and state statute, as well as common law, prohibits agreements placing control of resale price in the hands of the manufacturer.

Under the law, the retailer can sell the goods he has bought at any price, can even give them away. The former owner loses all control over them when title passes.

Attempts to find a legal way around that simple rule have so far failed. When the Supreme Court nullified the control of resale prices on Victor Talking Machine products, even though all the dealers involved were licensed under Victor patents, it killed the only scheme that ever appeared to promise success.

APART from the legal aspect, there are two groups of economic thinkers who believe the manufacturer should have the right to set the retail price of his products:

1. Those who believe that greater progress can be made by replacing competition by some type of unified control, Fascist rule, trade czar or company monopoly;

2. Those who maintain that, although there is restriction of competition in resale price maintenance, this is an exception to the general rule and should be permitted.

The reasoning of the second group is indicated by another sentence from the letter of a Capper-Kelly backer already quoted: "The competition developed by the price-cutting methods of certain retailers is harmful to the manufacturer, destructive to the legitimate dealer and of no lasting benefit to the small portion of the public temporarily affected by it."

Those who oppose the bill—economists and lawyers both—say that competition acting as a stimulant to progress is necessarily destructive to the retailer who does not progress; those who do not progress invariably cry out against the newcomer who takes their business away.

Mass distribution involves handling larger volumes with smaller unit profits. The change has had no direct relation to manufacturing. The manufacturer who does not want to see the retail price of his product cut, does not want to see retailers adopt new methods. In effect, he denies the possibilities of saving some of the wastes of distribution. He denies the right of the distributor, who succeeds in eliminating these wastes, to pass the savings on to the buying public, because, in so doing, it will injure the other distributors who have not introduced equivalent economies in their enterprises.

CERTAIN students of distribution—notably Dr. Julius Klein and the Department of Commerce staff—have said that when independents meet chain efficiencies by improved business methods and more effective service, they can exist and prosper in the face of the hottest chain price-cutting.

In a questionnaire sent out by the Federal Trade Commission, 91% of the independent retailers voted in favor of price-maintenance while only 23% of the chain store votes were favorable. From this questionnaire the commission gathered arguments in favor of resale price maintenance which may be summarized under seven heads:—

1. Resale price fixing by the manufacturer would eliminate price-cutting, which not only allows the chain and large department stores to get undeserved trade away from the small retailer who cannot cut prices, but also "cheapens and discredits the manufacturers' identified products in the eyes of consumers."

2. Resale price maintenance would en-

NOW priced as low as $25 F.O.B. Factory

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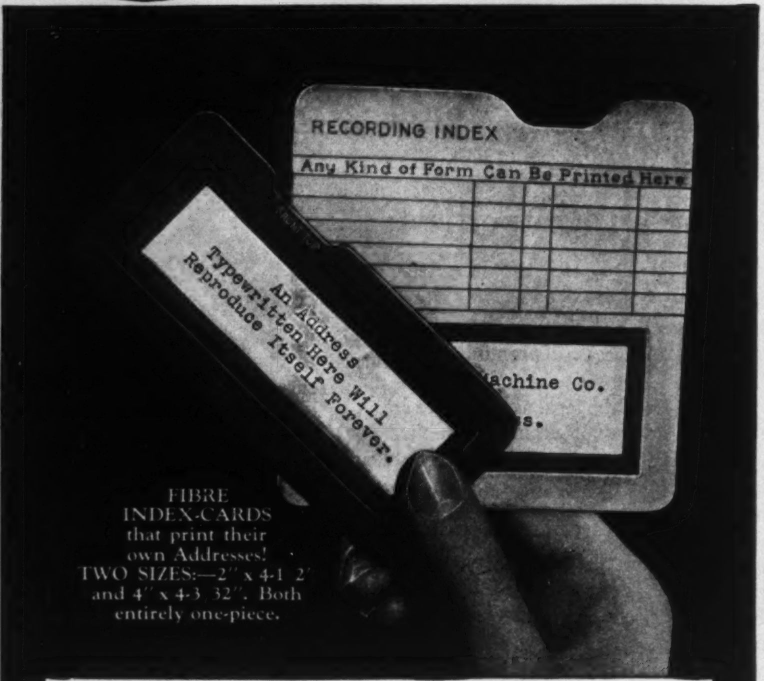
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Any Kind of Form Can Be Printed Here
An Address Typewritten Here Will Reproduce Itself Forever.
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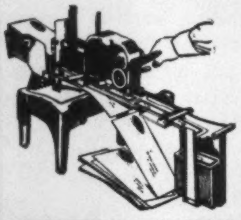
FIBRE INDEX-CARDS that print their own Addresses! TWO SIZES:—2" x 4-1/2" and 4" x 4-3/32". Both entirely one-piece.

You already own half of an
ELLIOTT ADDRESSING SYSTEM
—if you own a Typewriter!



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Each "typewriteable" Stencil-Card is also a complete, compact, one-piece RECORD-CONTROL CARD. Easy to prepare. Easy to handle. No heavy cumbersome metal. Positive instead of negative in file.

Machines of every size for every name-writing requirement. Speeds as high as 12,000 different addresses per hour.

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CLIP and MAIL this COUPON

☐ FREE Catalog
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Check what is wanted at left, attach to your business letterhead, and address to the Elliott Addressing Machine Co., Cambridge, Mass., U. S. A. (or 84 St. Antoine St., Montreal, if you are in Canada).

sure uniformity of prices, fair prices, and would make it unnecessary for the consumer to "shop around."

3. It would eliminate "substitution, demoralization, no profit sales, special discounts," etc.

4. Resale price maintenance would enable the retailer to give better service; "the consumer is better and more economically served where the emphasis in competition is upon quality rather than price."

5. The consumer has greater assurance that he will not be deprived of the use of his favorite brand through refusal of dealers to handle it because it has become unprofitable.

6. It would keep communities freer from chains and other large retailing organizations "whose interest is only in profit."

7. It would lessen mortality among small retailers; this would help real estate by supporting a demand for store buildings, choice real estate property, etc.

PROBABLY the truth lies, as usual, somewhere between the two arguments of the extremists. Undoubtedly it would be bad for progress to prohibit any distributor from making the best price he reasonably can. On the other hand, much recent evidence has established the folly of sales below cost. Such sales are not only destructive of fair competition, but there is little indication that they can be defended as good for business on any basis. They not only give customers a wrong impression of product value, but they are a drain on the business of the company that makes them. They attract unprofitable business, customers who will patronize the sale-promoter only as long as loss-prices are offered. Common sense and good business judgment ought to protect sellers from the damage of below-cost prices, but experience has shown that it does not.

If the Capper-Kelly bill could be so worded as to prohibit distributors making a policy of below-cost pricing and, at the same time, allow freedom of reasonable pricing, it would meet the real requirements of most of the groups affected. It would stop the kind of price-cutting that has damaged trade but preserve that competitive pricing which is demanded by our business philosophy. The real issue is not fairness to the manufacturer but protection of the retailer against foolish or wanton pricing in his own group.

▼

Over eight million families (in the United States) *have moved above the $2,000 income class.*—Paul T. Cherington.

Wide Reading

HIGH FINANCE MUST BE HONEST. Irving T. Bush. *Magazine of Wall Street*, December 28. Frank, refreshing diagnosis of certain reprehensible financial and business practices which do not fit into new business ethics.

THE PHOTOMONTAGE—A NEW ILLUSTRATION TECHNIQUE. Douglas C. McMurtrie. *Printers' Ink*, December 26. A new technique especially suitable for the pictorial representation of the "spirit" of such an organism as a city, an industrial plant, a huge merchandising institution like a department store. Popular in Europe; worthy of attention here.

WHO GETS THE MONEY? Lewis H. Haney. *North American Review*, January. An economist's answer to the question asked by nonprofessional speculators when the crash of the market converted big profits into losses.

PRODUCTION AND CONSUMPTION OF INDUSTRIAL CHEMICALS. *Chemical and Metallurgical Engineering*, January. Annual review number. Prospects for 1930.

THE JOB AND THE LIFE SPAN. Louis I. Dublin. *Harpers*, January. How long will you live? In vocations and professions there are certain hazards that definitely shorten life.

HOW CHAIN STORES ARE CHANGING FARM DISTRIBUTION. G. A. Nichols, *Printers' Ink*, December 26. Grocery chains enter the small town to the disadvantage of mail order houses.

THE RADIO INDUSTRY. *Radio Retailing*, January. Annual review issue; complete statistics; prospects for 1930.

NAVAL REDUCTION: WHAT IT MEANS IN MONEY. Burton L. French. *Current History*, January. Navies on a business basis are in the billion-dollar class; their budgets are worthy of deep thought.

WHO SETS FASHIONS—AND HOW? Franklin S. Clark. *Review of Reviews*, January. Men in many industries are asking the question once asked only by women; art is an integral part of industry.

WHO ARE GREATEST IN SCIENCE? E. E. Free. *North American Review*, January. Picking 10 "key men" in the wizardry of research, a noted chemist brings to light some little-known names and offers as well a glimpse of modern technology's promise to mankind.

THE ELECTRIC RAILWAY INDUSTRY. *Electric Railway Journal*, January. Annual review number.

THE NATIONAL CITY FIASCO. By C. W. *Nation*, January 1. Characteristically frank discussion of a recent merger which never went through.

THE INTERNATIONAL LABOR OFFICE. Matthew Woll. *Current History*, January. A review of its purpose, its accomplishments; a criticism of its failures.

SAVINGS BANKS COMBINE TO RE-SELL THE IDEA OF SAVING. Rexford Daniels, *Printers' Ink*, December 26. Another cooperative advertising scheme to save a situation.

SHOULD BUSINESS SELL SHORT ON THE LONG SKIRT? Mary Brooks Picken. *Advertising and Selling*, December 25. Important tips to harried retailers who aren't certain what is happening to dress styles.

THE HUMAN BRAIN, MASTER OF OUR DESTINY. Frederick Tilney. *World's Work*, January. How we can bring the undeveloped 50% to 80% of man's intellect into fuller play.

1929 SURVEY OF THE CHAIN GROCERY FIELD. Prepared by the Grocery Edition of *Chain Store Age*. 11 pp. Statistical estimates of chain stores and their gross business.

BOOKS

GOLD AND CENTRAL BANKS. Dr. Feliks Mlynarski. Macmillan, 157 pp., $2. Case for cooperation among Central Banks based on the premise that possession of gold is becoming an international public function.

MARKET DATA HANDBOOK. Paul W. Stewart. Department of Commerce, 535 pp., four market area maps, $2.50. Statistical compilation by counties of different measures of market demand, furnishing for the first time in some cases, and in convenient form, data on population, measures of income, spendings, newspaper circulation and trade outlets. Will serve as basis for sales quotas, advertising budgets and marketing programs. Most important publication of the year in field of distribution.

MODERN TYPOGRAPHY AND LAYOUT. Douglas C. McMurtrie. Book Service Company, 190 pp., $7.50. Source material for typographers and layout men doing work in modern style. Illustrations of best work in modern manner in Germany, Russia, Czechoslovakia, France, Italy and the United States.

ONE THOUSAND SAYINGS OF HISTORY. Walter Fogg. Beacon Press, 936 pp., $5. Useful to one who must adorn a brief, a speech, or a report with a smooth quotation. Valuable for editors.

THE MYSTERY MAN OF EUROPE. Richard Lewinsohn. Lippincott, 241 pp., $3. Sir Basil Zaharoff, a promoter, a giant among salesmen, richest man in Europe at one time, a Greek who knew how to act in the inner circle of that International European society that used to run things before and during the War until the great débâcle came and the intricacies of the game were thrown open for every one to see.

MARKETING USED CARS. Paul G. Hoffman and James H. Greene. Harper, 181 pp., $3. Detailed recommendations that automobile dealers employ ordinary business sense in their used car transactions.

UNEMPLOYMENT—SOME INTERNATIONAL ASPECTS, 1920-1928. International Labor office, Geneva. Distributed by World Peace Foundation, 222 pp., $1.25. Report presented to twelfth session of the International Labor Conference. Discusses unemployment and monetary fluctuations with conclusion that increasing prices usually are accompanied with decreasing unemployment; unemployment in the coal-mining and textile industries; international migration and its effect on unemployment.

CAN YOU GUESS THE COST OF AN OFFICE LIKE THIS?

Most folks will guess from $100. to $500. too high. That's why Myrtle Desks are so keenly appreciated by those who want a good looking office yet have always thought it would cost too much.

Close inspection not only confirms their attractiveness but you'll learn that sound construction underlies surface beauty, assuring pride of ownership throughout the years to come.

Ask for a copy of our new illustrated booklet and name of the nearest Myrtle dealer, that you may see these desks which look so much more than their moderate cost.

MYRTLE DESK COMPANY
High Point, N. C.

The BEST DESKS made of WOOD

GOOD DESKS FOR 31 YEARS
MYRTLE 31st YEAR DESKS

Myrtle Desk Co. B.W. 1-8-30
High Point, N. C.

Gentlemen:

Please send copy of your booklet "Myrtle Desks" and address of nearest dealer.

At Last A Mechanical Mind?

Glorified radio tubes are now doing for industry jobs that, in many cases, require real brain work

UNRECOGNIZED by the average layman, a new figure has been appearing in the headlines of the world's newspapers with startling regularity. Almost day by day some new achievement of the electron tube makes the front page.

"Airplane over Chicago Converses with *Leviathan* in Mid-ocean."

"Electron Tubes Count Autos, Detect Poisonous Gases, in Vehicular Tunnel."

"Florida Fruit-fly Mastered by Electron-Tube Amplifier."

"Lawyer Makes Will, Using Talking Movie."

"Police Test Electron 'Lie Detector' on Criminal Suspects."

Thus are revealed some of the news highlights of a teeming new art. And back of these more spectacular developments, a veritable revolution is taking place in industry itself.

Blame it on the radio!

For the little radio tube—the same tube which glows dimly in your home receiving set, is at the bottom of this industrial transformation. That radio tube is above all, a powerful amplifier or multiplier of faint electrical forces. And industry is just finding out that it can use such electrical multipliers to solve a thousand problems.

Modern sound pictures are built around the electron-tube amplifier, which has made the movies speak. And when electron tubes were put to work in phonograph-record making and in the modern phonographs themselves, recorded music and speech suddenly achieved true fidelity of tone, impossible with the old methods.

Public halls now have amplifiers by which the faintest rostrum whisper can be heard in every seat. And soon the theatres may be expected to follow this cue. Country churches today are replacing their organs with deep-toned amplifiers capable of reproducing records of the unmatchable playing of the world's greatest organists. Already the undertakers' association has officially accepted this low-cost means of securing organ effects in funeral parlors.

Of course, long distance telephony, picture transmission, television and wired wireless all have the electron tube as the very cornerstone of their existence.

But it is in general industry and science that some of the tube's most interesting uses are being found.

In factories, electron tubes control automatic production processes, assuring absolute uniformity of results. Chemical operations can be accurately supervised with automatic control by electron-tube circuits. Motors and lighting systems are manipulated by electronic action. Elevators are made self-leveling by the inclusion of electron-tube circuits. The great stage-lighting installation of the new Chicago civic opera house is adjusted to the finest gradations by vacuum tubes controlled through tiny finger buttons. Tubes serve as oscillators to produce the high-frequency currents applied in induction furnaces to melt platinum, gold or other metals.

Tube amplifiers and microphones proved to be the only way to detect the presence of the Mediterranean fruit-fly in Florida grapefruit and oranges. With such an amplifier, the tiny bugs could be heard eating the fruit inside.

AN EMOTION-RECORDER

The sensitive tube can even read your thoughts, betray your feelings

Power plant men talk over 140,000-volt transmission lines for hundreds of miles, with the switches open or closed. Tubes do it. A similar application of wired wireless or carrier-current telephony is now being developed for broadcasting music, entertainment and educational programs over the electric light wires in the city of Cleveland. Every electric-light socket will thus be a source of broadcast entertainment.

Street traffic signals now on the market actually "see" a car approaching on a cross-road and set the lights for it. Similar photo-electric cell circuits count traffic, or count factory output. Also they can be arranged to grade beans, cigars or metal sheets, by colors, size or shades. They detect faulty products and automatically throw such rejects to one side. Tubes also make it possible to broadcast weather maps, and styles, to transmit checks and confidential papers in exact facsimile.

The electron tube with its unthinkable minuteness of mechanism has introduced a new refinement in the science of measurement. Distances down to a millionth of an inch are distinguishable to its microscopic eye. High temperatures, low temperatures, and any changes in any physical condition can all be accurately indicated and amplified through the medium of these electron valves.

In mineral development and oil location, electron tubes have revolutionized the methods of the field geologists. Petroleum pools are now indicated, with fair accuracy, by measuring the transmission time of explosions, and determining whether the impulses come direct or roundabout the oil or salt dome. In prospecting for metallic ores, delicate measurements of ground currents with electron detectors, serve to locate mineral deposits without scratching the surface.

Radio tubes send storm warnings aloft to aviators and serve to dispatch planes around bad weather. In fogs or darkness, radio beacons give the pilot his location; radio beams direct him along the short-

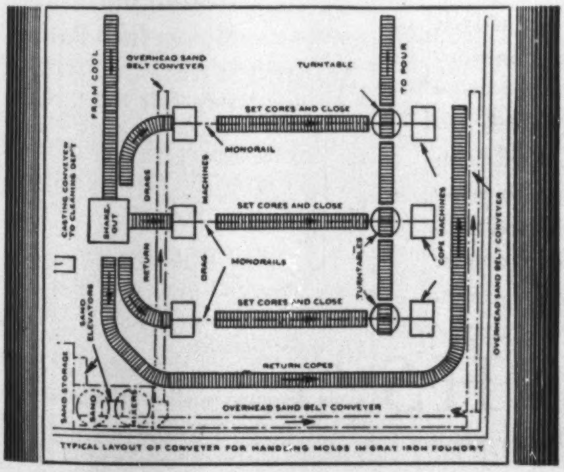
WIN the "Battle of 1930" with MATHEWS Conveyers

Mathews Gravity Roller Conveyers in Oakland Motor Car Co. Foundry.

THE "Battle of 1930" is on. Victory will go to the plants that make the best use of modern methods.

Mathews has more to offer you than ever before in skilfully engineered conveyers of advanced design and fine construction to aid you in this fight for more profits. Mathews Conveyers, both in structural design and in workmanship, are second to none. They are one of the best investments any plant executive can make—giving uninterrupted service over a period of years, paying for themselves over and over again.

Hundreds of important plants have found Mathews Conveyers dependable, and Mathews Engineers helpful in planning for more economical operation. We'll gladly send a new book on conveyers which may give you some valuable suggestions.


OVERHEAD SAND BELT CONVEYER
TURNTABLE
FROM COOL
TO POUR
SET CORES AND CLOSE
MONORAIL
CASTING CONVEYER TO CLEANING DEPT
DRAG
MACHINES
SHAKE OUT
SET CORES AND CLOSE
RETURN
DRAG
MONORAILS
TURNTABLES
COPE MACHINES
OVERHEAD SAND BELT CONVEYER
SAND ELEVATORS
SET CORES AND CLOSE
SAND STORAGE
SAND
MIXERS
RETURN COPES
OVERHEAD SAND BELT CONVEYER

TYPICAL LAYOUT OF CONVEYER FOR HANDLING MOLDS IN GRAY IRON FOUNDRY

Mathews Conveyer Company
160 Tenth Street · · Ellwood City, Pa.
Atlanta, Birmingham, Boston, Buffalo, Charlotte, Chicago, Cleveland, Dallas, Denver, Detroit, Houston, Los Angeles, Milwaukee, Minneapolis, New Orleans, New York, Philadelphia, Pittsburgh, St. Louis, Salt Lake City, San Francisco, Seattle. Mathews Conveyer Company, Limited, Port Hope, Ontario.

MATHEWS
CONVEYER SYSTEMS

PHOTOGRAPHS *BUILD* BUSINESS

"This is an actual photograph," Those five words under an illustration inspire more confidence than five volumes of adjectives. Use this phrase in all your advertising—it pays!

Two booklets worth reading! "How to Use Photographs in Your Business"—and "The 4000-Mile Lens" describing how to get distant photographs by wire *through our unique service. For a free copy of both booklets, address Photographers' Association of America, 2258 Euclid Avenue, Cleveland.*

USE PHOTOGRAPHS to conquer cut-price competition. Your product costs more because it's worth more. Let the camera create convincing proof of quality. A buyer may question a salesman's word; but photographs always inspire faith. And faith moves merchandise. To make your personal selling and your printed selling more effective, turn to photographs. They build believability—and business.

PHOTOGRAPHS
TELL THE *TRUTH*

est path, giving instant notice if he flies to one side or the other. Tube altimeters show him his height above ground at any instant. And finally, tubes detect his arrival above his home field and automatically switch on the great landing lights.

The doctors have found the vacuum tube a valuable ally. A whole new science of heart therapy has been developed. Heart beats and heart murmurs can now be amplified to steam-pump proportions, analyzed critically, and demonstrated to a whole lecture room. Every country practitioner can now have his own phonograph album of characteristic heart conditions and, with his electron stethoscope, can accurately compare the symptoms of the patient before him.

The electron tube is bound to serve as a valuable aid of the law both in taking testimony and detecting crime. Already the photo-cell and the talking moving picture have been utilized as a vehicle for wills and last testaments.

Tubes are also employed in ingenious ways to detect criminals and to apprehend fugitives. For example, a burglar's shadow falling across a doorway is sufficient to send out a police alarm. The slightest tapping on a bank vault will bring out the police reserves. The picture of an escaping criminal can be broadcast ahead of him at the rate of 186,000 miles per second. And now, utilizing the tube, an almost unbeatable "lie detector" has been devised for use in questioning suspected criminals. The suspect is required to hold an electrode connected to a tube circuit. Any attempt on his part to resist questioning or to give a false reply is immediately revealed by the involuntary slight flow of perspiration in the palms of his hands—a flow undetectable to any ordinary observation, but amplified unmistakably by the faithful vacuum tubes.

▼

Production ►
Aluminum Moves Into Parlor

ALUMINUM research has discovered a new luxury trade outlet. Novelty jewelry is designed to meet a vogue for massive-looking baubles which are yet light in weight. Costume necklaces, bracelets, and ear-rings are the most popular.

The jewelry is available in gold and silver plate, and wholesales from $1.25 to $5 for necklaces, and 75 cents to $1.50 for bracelets.

Despite fashion's dictate that exquisitely designed small jewelry is *en mode* this year, the new aluminum pieces are popular in the less expensive class.

A Sure Way to to Beat the Market

THERE is one way to make profits on the Stock Exchange which has so much less chance to fail than any other known operation that it may be said to be virtually sure. Naturally its profits are small, as viewed by greedy speculators. They vary from about 15% to about 30% annual net return on fairly important sums of capital employed only at certain periods and for relatively short terms.

What is this mysterious infallible device? Its name is French, but as a financial function it is as ancient as barter itself. It is called arbitrage, meaning the act of arbitrating or equalizing.

Why is it so little known? Because, said a master *arbitragist* to a BUSINESS WEEK reporter the other day, speculators confuse it with the name of some common stock or other. There is nothing difficult about it, he added with a Continental shrug. Let us try to follow his explanation.

By definition arbitrage is the simultaneous purchase and sale of equivalent securities—not identical stocks or bonds, note, but equivalent securities. Because the purchase and the sale must be simultaneous, there can be no loss, for if such simultaneity of buying and selling did not show a profit the arbitrage trader would not enter into his contracts. He knows in advance exactly what profit there is in his operation. Otherwise his trading would not be arbitrage but simple investment or speculation. He can lose only if his mechanical means give out.

UNDER what circumstances is arbitrage possible? As everyone knows, our leading railroad, industrial, and public utility corporations are constantly readjusting their corporate architecture by (a) split-ups of capital shares, (b) new offerings of capital stock through rights, (c) mergers of allied and competing corporations by exchange of shares.

These operations establish markets for newly-created securities, provoke changes in the conditions of supply and demand of the old shares, hence cause deviations from parity. Arbitrage seizes its profit by regulating the deviation from parity.

In his calculations the arbitrage trader must take into account four elements: (a) Time required for the exchange of stocks to take place. (b) Commissions to brokers for execution of orders. (c) Dividends on the stocks in question. (d) Stamps, taxes, etc.

With these elements in mind he must select out of the market a security situation representing a deviation from parity. An ingenious Swiss device, the Logo Calculator, makes all physical calculations.

RECENT notable examples by types: (1) Arbitrage as result of split-up. F.W. Woolworth Co. split-up 2½ shares for one. The sale of 2,500 shares of new Woolworth simultaneously with the purchase of 1,000 shares of old Woolworth brought a net profit of $6,690 on an investment of $214,000 for sixty days, or an annual rate of yield of more than 18%. The same operation done on a 50% margin basis instead of for cash yielded 27%.

(2) Arbitrage as a result of stock offering. Profits of $5,326 were made on an investment of $150,000 for three months, or 14% per year on a cash basis. On a 50% margin basis the yield was 18%. The arbitrage trader merely sold 1,000 Anaconda new stock plus 1,000 Anaconda rights and simultaneously bought 1,000 Anaconda old.

(3) Arbitrage as the result of exchange of shares in merger. Twenty-six per cent net annual return on the use of $101,000 for three months resulted from the sale of 730 shares of Anaconda Chile Copper.

These are classic examples. But they are obviously not rare, asserts the arbitrage trader; otherwise Stock Exchange houses could not afford to maintain elaborate arbitrage departments whose men are among the most skilled of any in the Street. Because of the large amount of capital required, aside from its unfamiliarity, arbitrage rarely attracts the small investor or speculator.

Foreign arbitrage in securities is an almost exclusively professional activity between the great banks of the great cities of the world. It can be profitably carried on only on a large scale because of heavy cable tolls. Arbitrage in commodities, like the foreign exchange business which is so indissolubly linked to it, is also a vast scale operation for concerns with world-wide connections.

Arbitrage between different exchanges in the various cities of the United States is forbidden by mutual rules. The New York Exchange led in this movement in an effort to prevent gambling on its quotations on the smaller exchanges. Exchange authorities severely warn members against non-member firms suspected of trying to defeat the rule.

If arbitrage continues to be profitable, it is because of the relatively small volume of transactions. Obviously, arbitrage accounts must be discretionary. There is no time for telephoning when an arbitrage chance comes along. It is a delicate game for the initiated few.

Why Industry is moving to the Country—

NOT so long ago, industry was confined to the population centers because of limited transportation, communication and power facilities.

Today, the factory builder may choose the country,—close to raw material sources, where workers, at reasonable wages may enjoy living conditions that make them content in leisure hours and efficient in hours of work.

Central Carolinas, offers to industry, many virgin locations in proven territory. All the advantages of the great city without the disadvantages, may be found in this country where men love to live and work.

CAROLINA
POWER & LIGHT COMPANY
ROOM NO. 320 INDUSTRIAL BUREAU
RALEIGH, NORTH CAROLINA
SERVING CENTRAL CAROLINAS AND WESTERN NORTH CAROLINA

Free Quick— to ANY President Executive Foreman Worker

If you work on ANY product that is used by concerns that serve the public; or used in business or homes, (for utility, beauty, or luxury)—GET THE FACTS that are back of this Tidal Wave of new quick thinking in all industries. . . A Look AHEAD, in manufacturing, in methods, models, competition, *costs*, prices, Standards of Living. . . How—right NOW—articles and parts are being made, far easier, faster, at lower cost; and "righter."

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will give you a look AHEAD that will start you thinking; probably amaze you. Full CONTENTS OUTLINE is free; no obligation. Just state your name, address, company's name and products, and whether you want the Facts for self or company. Postal will do. Or margin of this page. Save this. Do not trust to find it again; write NOW. Address: Fact-Sheets of Industry; NVF Co. Dept. A1, Wilmington, Del.

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What the Leaders Are Saying

WRITING in the current issue of *Review of Reviews*, William Trufant Foster and Waddill Catchings:

"For the first time in our history, a President of the United States is taking aggressive leadership in guiding private business through a crisis. This action will yield the country, probably, at least a billion dollars of wealth which otherwise would not have been created. And it will save at least a million families, within the next four or five months, from the tragedy of unemployment.

"Yet the immediate significance of the President's action in this crisis is small, compared with its ultimate significance. For this is the first time that the forces of any nation have been marshalled against the Economics of Despair. Here is a new economics put to the test of a gigantic trial. All other countries are watching with intense interest. The economic foundations of Mr. Hoover's program are as sound for any other nation as they are for the United States."

KEEN, penetrating, forboding is this warning from James Truslow Adams, author of "Our Business Civilization":

"Far down the path which America is now treading . . . in the shadow of the future but all too clearly visible to the historian, stands, biding his time, the sinister figure of the man on horseback, the dictator."

BOLD and challenging is the statement by one of the leaders in recent business conferences to promote a revival of industry:

"One of the stumbling blocks just now is the proneness of some bankers to lend as parsimoniously now, with safety, to substantial and conservatively adjusted business, as they recently were to lend lavishly, with risk, to speculation. I have in mind the little banker, sometimes found in a big bank but abounding in small banks, who lends liberally when he need not; and crawls into his shell and pulls his resources in after him when the community needs them. He has his excuses; he remembers that a few years ago some hundreds of little bankers were entombed in their own frozen assets. But he is not now asked to warm up credit icebergs. He is asked to supply credit to safe and profitable business, to pour the lifeblood of the community's funds into its business circulation. A bank is not a hoard, and no hoarder ever made a useful banker. The little banker is on trial. His best defense against the big banks, with their branches and chains, is to be a big banker himself, whatever the size of his bank."

PROPITIOUS New Year augury from Senator Robert F. Wagner: *To be an American is to be an optimist.*

PITHY suggestions from Raymond M. Hood, president, New York Architectural League, concerning skyscrapers and congestion:

"It is business that develops this great country, expands the potentialities of our lives, increases contentment and guarantees some measure of happiness, and not the melancholic critics who sit fixed to Victorian armchairs and dredge up sour memoirs of a dull past. . . .

"Unmanageable crowds are caused by an improper distribution of people and industries, and not by the immensity of buildings. . . .

"I venture to predict that the children of today's critics of the skyscraper will live in communities 30 to 100 miles from the business center, offering facilities for a social and intellectual enlightenment that excel any known today. All the pleasures of outdoor life will lie at their threshold. By rail, air, or water they will go to work in parlor-car comfort and in the space of an hour or less. The convenience and despatch of business will be such that they will return home within six or seven hours. . . .

"Bridges two miles long, reaching out to develop a district of two or three hundred thousand people, command our admiration and simultaneously offer unexploited home building sites for 150,000 people. I refer to the sides of the bridge itself. After all, this suggestion merely enlarges on Ponte Vecchio in Florence, with its jewelry shops and dwellings along the sides."

VOICE, manner, pronunciation, language—all have come in for their panning. The radio and the talkies made them everybody's business. Provocative of thought to the business man is this statement from a New England advertising man:

"Those who have goods to sell or causes to serve should see to it that nobody with an offensive style or manner of speaking, nobody whose tones suggest insincerity or condescension or pride or pretense, should be the medium whereby attention is sought to be gained or interest aroused."

PRINTING . . . that pays for itself

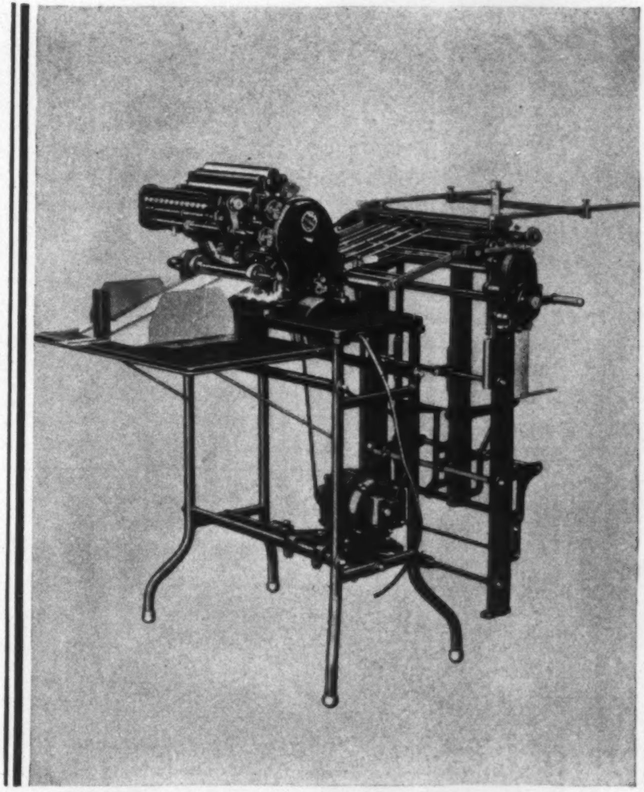
Speedy, abundant, economical printing means more in business today than ever before. Circulars to meet today's keener competition and get more business! Office forms to speed up routine operations and prevent confusion!

The Printing Multigraph has made it easier than ever before to meet modern requirements for a large share of business printing. It makes more printed sales helps available at moderate cost. It cuts the cost of office forms and simplifies the job of keeping adequate supplies at hand.

How much a Printing Multigraph will contribute toward increasing your annual net profit depends on your business. Many a Multigraph user will tell you that what he saves in printing costs combined with what his Multigraphed material brings in as sales promotion return makes the machine pay its own way with a margin to spare.

Any Multigraph representative will be glad to quote specific figures on results in your own line of business. Look up our local address in your telephone directory—or write us direct.

AMERICAN MULTIGRAPH SALES COMPANY
1798 East 40th Street, Cleveland, Ohio



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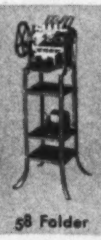

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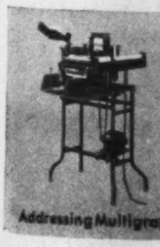
Lever Addresser

Model 60 Multigraph

Model 100 Multigraph

The MULTIGRAPH *Line*



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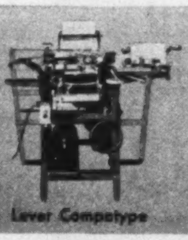

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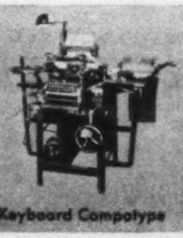

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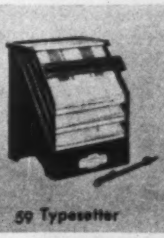

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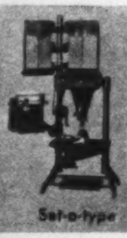


Set-a-type

After Office Hours . . . .

NEW models at the Automobile Show! Bodies that catch the eye more quickly than the old ones did; engines that promise the ear unprecedented smoothness! But who in the crowd realizes how difficult it was to make the production shifts that brought these new models out on schedule—or at all? The job is one that has made exactions on the time, patience, and efficiency of the manufacturer that would bring many another industry to the brink of demoralization.

It takes a tried hand. When Henry Ford, after years of "giving 'em any color they want so long as it's black," compromised with modernity, he found that out. Patterns came through wrong. Some close-held cash and some bright young men were lost before the dust settled. Then, when Model A was born, somebody produced a body two inches too long for the frame. But Ford efficiency is organized for reverses as well as for gains, and the stream of cars flowed right on.

Even practice doesn't make perfect. What good was experience when a distraught purchasing agent left for a sanitarium just after his company had again changed models this year—but not before he had ordered 150,000 bodies from the wrong blueprint and had receipted for 80,000 that had been built three inches too short for the revised chassis? And all it meant to the public was a little delay in announcing the new models.

When the Russians, worshipping at the shrine of American efficiency and industrial infallibility, hear of this, they will be very much upset—but let them or any other people or any other industry try the same game.

▼

ART in business is one thing. Business men in art something else. Some 200 Business Men's Clubs are thriving. The second annual exhibition of the Boston Club recently displayed serious and meritorious work in painting and sculpture.

▼

CHANGELESS in a changing world—the safety pin.

Now it, too, is in the march of progress. Dr. Woodward Colby of St. Paul has made the safety pin safer. Has even made it edible.

Dr. Colby specializes in the care of children, has had many serious cases of safety pinitis. He was inspired to design a safety pin that's safe even when swallowed open. It's been adopted by St. Paul hospitals. It isn't on the general market.

▼

OUT in the Middle West is a man who manufactures a machine used by builders. His volume is about $2,000,000 a year; his net profit is highly satisfactory. His complete office force consists of himself and a girl. What is more, he always has time during office hours to tell you the one about the old maid and the parrot.

In the same town, and almost across the street, is a direct competitor, doing about the same volume of business. Its "General Offices" look almost like General Motors'.

There is probably a moral here somewhere for somebody interested in morals.

Do *your* Customers Demand Fast Delivery?

This essential feature of modern merchandising—quick and frequent deliveries—is no longer a problem nor an out-of-balance expense to the many manufacturers who use G & W distribution service.

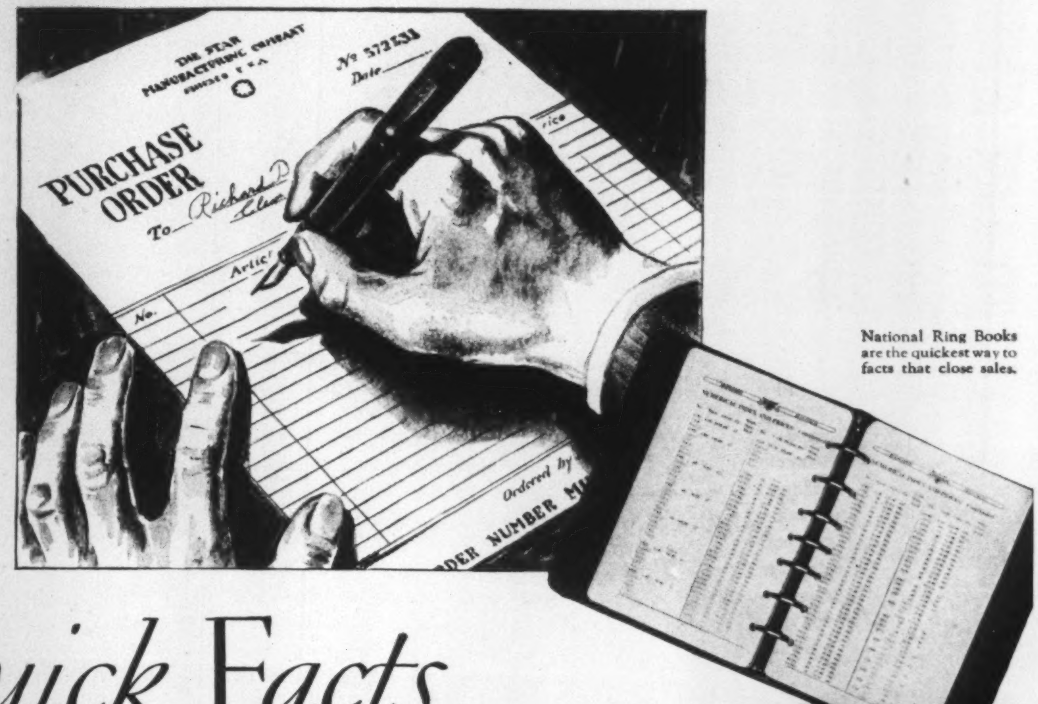
Griswold & Walker merchandise warehouses are ideally located for fast handling of merchandise stocks—both in and out. Special services such as pool car distribution, parcel post mailing, motor truck deliveries, package car shipments, are available—enabling you to have prompt deliveries handled in the most effective and economical way.

If your customers demand fast deliveries, if orders have become smaller and more frequent, consult G & W on distribution in Chicago.

Consult G and W

GRISWOLD & WALKER, INC.
1525 NEWBERRY AVENUE
CHICAGO, ILLINOIS

BW 1-8-Gray



National Ring Books are the quickest way to facts that close sales.

Quick Facts

Close Critical Sales

The prospect, pen poised, asks "How much?" No time, now, to fumble until he says "I'll think it over." *Now* is the fleeting instant when swiftly-produced figures will close the sale.

Are your salesmen equipped with the kind of price books that give ready facts and figures the minute they're wanted? ...The kind which by their appearance as well as their performance reflect credit upon your firm?...The kind that *keep on* looking well in hard, grueling service?

National *steel-hinge* ring books with solid leather covers wear longest where ordinary books give out first. Their fibre backs, colored and grained to match the leather, are firmly anchored through to the back-mechanism. Their smooth, polished, oval-section rings hold sheets firmly in place, or open *wide* at the touch of thumb-levers to admit new sheets. Their celluloid indexes make finding figures a matter of the instant.

Hundreds of sales forces are equipped with National steel-hinge price books. Why not yours?

Steel hinges add both strength and flexibility.

Fibre backs guard against wear and tear.

Rings open *wide* at the touch of a thumb-lever.

NATIONAL

National PRICE BOOKS

For Fast Sales Facts

National Record-Keeping Equipment

BOUND BOOKS · LOOSE LEAF · VISIBLE RECORDS
MACHINE BOOKKEEPING EQUIPMENT

Your Stationer can tell you about National Steel Hinge Ring Books. Or send this coupon for complete information to

NATIONAL BLANK BOOK COMPANY
Dept. 3-N Holyoke, Mass.

Name____________________________

Firm____________________________

Address__________________________

EDITORIAL

Prosperity Begins At Home

●

● AMERICAN business has begun a new year, for the first time in many seasons, with ample occasion for the old and salutary exercise of taking stock of itself and making a few good, if fragile, resolutions. Somewhat to its surprise, business finds itself at the outset of 1930, after some seven years of uneven but fairly substantial prosperity, still hoping and groping for the secret of its permanence. Having seen that elusive quality in our economic life fade quickly away in full flower during the last half of 1929, business men are wondering whether and how they can seize again and surely hold it in the days that lie ahead.

New recipes of prosperity have been discovered and rediscovered every year since the war, by both native and foreign investigators. Fashionable formulas opening new paths to profits via mass production, mechanization, high wages, statistical control, trade organization, mergers, holding companies, investment trusts and even brokers' loans have come, and many of them gone, in the past seven years.

Doubtless some of these have played and will continue to play their part in the progress and prosperity of business. The forecasters cannot yet read the riddle of 1930 with sufficient surety to tell us what particular principle or device of all these will help business to go ahead most rapidly in the next few years; but experience, as well as logic, makes it fairly clear that our prosperity has never been and never will be wholly sound and stable unless it is based upon intensive and intelligent exploitation of the resources of the individual business.

The uncertainty and impermanence of our prosperity in recent years are due above all to the fact that it has been top-heavy, unbalanced and uneven. Great sections of American business have been weak, whether because of inherent disadvantages or through too long leaning on outside aid, or failure to study and master their own special problems. Other fields have had a hot-house growth, have extended themselves too far from too narrow a base, or have spread themselves too thin through mergers, financial manipulation and unwise diversification of interest.

External factors, of organized relationships, of government, of credit and finance, undoubtedly influence the growth of business, but they do not determine its intrinsic vitality. Business grows from within; it is not made from outside. It remains, like every other organized activity or institution, fundamentally a product of the individuals who constitute it. If these, the individual business men and the individual businesses, are putting themselves into their jobs, making the most of the materials and resources which they have at hand, business as a whole is bound to grow soundly and strongly. A stable and secure business structure must be built from the bottom up.

To create real and lasting prosperity American business must pull itself together, concentrate once more utterly upon its task, in each industry, in each region of the country, in each concern, in each business man's mind.

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